

De Montfort University

PhD Thesis

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Organisation change and the psychological contract: the rhetoric of employability, the potential reality of reciprocal brutality.

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Abstract

Despite the apparent widespread scale and increasing pace of organisation change, it appears that many organisations encounter difficulties in managing the process, with possible negative consequences for employees and organisation success. Prescriptive models of change tend to overlook contextual issues, and theoretical models whilst useful as a reflective or analytical exercise, are of limited practical value. It seemed that a different approach to research was necessary to develop a clearer understanding of what the change experience is really like from both employees' and an organisational perspective.

The relatively recent increase in psychological contract research appeared to provide that opportunity. Nevertheless, in the context of organisation change, existing studies appear to have overlooked some fundamental issues. The psychological contract's theoretical underpinnings are frequently discussed, but rarely utilised as a framework for empirical investigations. There tends to be a preoccupation with measuring its content or state, how it might be changing and the frequency with which it is perceived to be violated. This study moves beyond these types of investigations and by drawing on organisation change literature, established theories in social and cognitive psychology and organisation justice research, a conceptual model of change is developed. At its simplest, it proposes that organisation change might impact on the psychological contract, which potentially triggers a cognitive appraisal process. An evaluation of the nature and manner of change implementation procedures potentially reshapes the psychological contract, which conditions employees' behavioural and attitudinal responses with subsequent implications for organisational effectiveness.

Qualitative and quantitative investigations involving an aggregate group of 268 employees and two case study groups, aimed to investigate: the accumulated effects of organisation change on the psychological contract; whether the theoretical model reflected reality; and participants' perception and experience of organisation change. Data are derived from interviews, a survey, company documentation and longitudinal case study research.

The main conclusions are summarised as follows. Perceptions of the psychological contract have changed significantly in recent years, but the notion of employability, which some researchers and practitioners claim underpins the 'new' psychological contract, is a redundant concept for all but the minority. Organisational, external, experiential and individual factors condition the psychological contract, which illustrates its complexity and fragility and suggests that it cannot be measured or managed in any simplistic, generic sense. Research implications and the limitations of existing research are discussed. From a managerial perspective, there appeared to be a degree of dissatisfaction with change management. Areas of change management that appear to be overlooked, and factors which influence the change management agenda are discussed. Finally, the thesis illustrates how prolonged dissatisfaction with organisation change can potentially provoke a series of orchestrated and deliberate responses from employees and managers in retaliation to each other's actions, creating an environment for a psychological contract based on reciprocal brutalism to emerge.

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Chapter 1

'No further forward'

'Change management is big business these days. It's a major part of our management consultancy business. We thought several years ago that the bubble would soon burst, but it seems that companies are *no further forward* in solving their 'change problems' than they were then.
(Anderson Consultant, January 2000. Personal communication)

Introduction

According to many academic publications, numerous media sources, and practitioner discourse, since the late 1980s, organisations have introduced changes on an unprecedented scale. Despite its alleged ubiquitous nature, there is evidence to suggest that organisation change is often associated with negative consequences for employees and organisations. Thus, the question that stimulated this research was: why, if change is so widespread, have organisations not found a way of managing it effectively so that some of these negative consequences can be overcome?

A review of the increasing number of psychological contract research publications suggested that some of the problems associated with organisation change might be better understood through examining the ways in which change affects the psychological contract. Although it has been criticised for being an ill-defined concept, the psychological contract is usually taken to refer to 'the implicit relationship that exists between individuals and their employer concerning perceived mutual obligations and expectations and the assumptions they make about each other' (Herriot, 1992; Hiltrop, 1995; Robinson and Rousseau, 1994).

Its relevance to studying organisation change is illustrated through research (for example, Blancero, 1997; Guest, 1996, 1997; Herriot et al, 1997; Herriot and Pemberton, 1996; Hiltrop, 1995; Sparrow 1996 and Rousseau, 1996) which

discusses the how the alleged organisation changes of the last decade or so have brought about some general changes in the psychological contract. And, through that which shows how changes in the psychological contract can affect employee behaviour and attitudes (Blancero, 1997; Robinson et al, 1994; Robinson and Morrison, 1995), which can subsequently inhibit organisation success.

However, psychological contract research is relatively new and it is argued that some important issues have been overlooked. We do not fully understand its significance and the role that it plays in organisation life and why it is important in determining behaviour and attitudes. This thesis draws upon some of the theories underpinning the psychological contract to investigate employees' experience of organisation change.

The aims of this introductory chapter are to: inform the reader of the rationale for this study and to provide an overview of the structure and content of this thesis

Changes at the macro level

One of the main objectives of this study is to investigate the effects of organization change on the psychological contract. In doing so it draws on theories rooted in cognitive and social psychology (for example, schema theory, Sims and Gioia, 1986; cognitive dissonance theory, Festinger, 1957; social exchange theory, Blau, 1964, equity theory, Adams, 1965) and examines the cognitive processes that are thought to be involved when individuals experience change. These are discussed in the following chapter. Nevertheless, it is worthwhile stepping back from these micro processes and briefly examining the wider influences that have shaped this study.

Demands for flatter, faster and more flexible organisations

Changes at the macro level such as, increasing market competition and customer demands, slower economic growth, globalisation, rising product innovation and the impact of advanced forms of information technology have been amongst the driving forces for organisation change. They have placed pressure on organisations, to be

flatter, faster and more flexible and to manage change rather than be submerged by it.

Organisations responded to pressures to retain costs and increase profitability for shareholders through attempting to create a flexible workforce. Resources were not wasted on unnecessary labour and the number of job losses throughout the late 1980s and early 1990s increased dramatically through delayering, restructuring and downsizing. Responsibility was devolved and employees became more accountable. Managerial layers were removed and the typical structure of many organisations has changed. The DTI (Nov 1997) commented that:

'Five years ago the corporate structure was like pyramids with very steep sides, in fact one could say stalactites. Now it is more like a plate of peas. The number of levels in an organisation is cut to as few as possible'. (BBC interview)

In addition to downsizing, changes in staffing arrangements have led to new ways of tackling the fluctuating demands for labour, creating more flexibility. Many organisations are handing over the more peripheral of their staffing responsibilities, such as cleaning, catering, security and maintenance to outside contractors. The use of part-time, temporary and agency staff has grown. Even managerial cover is hired out to short-term or interim executives to run special projects.

Whilst changing the size and constitution of the workforce might represent a saving in costs, there is pressure to increase spending to remain up to date with new technology and systems. Investments are needed for research and development to bring new products to market faster than the competition to supply customer demands. Thus, it would seem that organisations are constantly under pressure to introduce changes to enable them to accommodate and adapt to the changes in the external environment. There is little evidence to suggest that the pressures will relax.

Increased interest in organisation change

At the macro level, there are indications that Government is keen to help businesses meet the challenges they face. For example, at the TUC Partnership Conference

(September, 11th 1998), Government acknowledged that it needed to look hard at how to bring about the culture changes that are needed to achieve competitiveness in the economy of the future. In March 2000, thirty six organisations were beneficiaries of £2.5m in the first round of the 'Partnership fund', including £1.2m of Government support. In November 2000 a further forty one organisations received a share of £1.4m to 'address culture change'. However, whilst the rhetoric advocates 'people are at the heart of the knowledge driven economy', is £3.9m sufficient to equip organisations with the skills they need to manage changes effectively?

Academic research into change at the macro, organisational and individual level, has increased across many disciplines, including psychology, organisational behaviour, sociology, economics, politics, finance and law. There have been a number of developments within Human Resource Management (HRM) in response to the demands for organisations to become flatter, faster and more flexible. There exists a plethora of literature in which academics have debated the merits of initiatives such as Total Quality Management (TQM) (Oakland, 1989), Business Process Re-engineering (BPR) (Mill, 1994), Just in Time Management (JIT) (Dale and Cooper, 1992) and Kaizen (Hannam, 1993). Other (softer) HR initiatives have been implemented to improve performance and gain the commitment and trust of the workforce. The discourse (both academic and practitioner) associated with change includes terms such as; empowerment, flexibility, team building, work teams, increased commitment, innovation, employability, continuous development, transformational leadership, and organisational learning.

Some academics have attempted to overcome the difficulty practitioners experience in translating theory into practice by forging collaborative links with organisations. For example, De Montfort University's Organisational Change and Development Group first met with managers from over thirty public and private sector organisations in January 1997, to discuss and debate some of the issues surrounding organisation change. During a series of conferences in late 1998, the newly established UK Work Organisation Network (UKWON) set out to promote the need for change and establish the main issues and concerns facing organisations.

A brief search on the Internet (Jan 2001) immediately identified over forty companies advertising their services as 'change management specialists'. A telephone interview with one such company revealed that by 1999, 'change management', accounted for over 80% of turnover.

Is organisation change a success?

Despite encouragement from government, increased academic research, practitioner courses and change management consultants, anecdotal and empirical evidence suggest that organisation change achieves only limited success. As one change management consultant suggested during an informal interview:

'Companies are no further forward in solving their change problems'.
(Anderson consulting; December 1999)

Whilst organisations might achieve their profit and cost reduction objectives, some academic publications and media reports suggest that the consequences of organisational change have not been as beneficial to the workforce as they have to the shareholders. A survey conducted by the Institute of Personnel and Development (IPD) (1999), reveals that people are generally working harder than ever before. Over 10% (823) of the 8,000 surveyed worked longer than the European Working Time Directive maximum of 48 hours. Among this group, one in three was working more than 60 hours a week, frequently without overtime pay. According to the results of a BBC survey (2001), lack of job security is driving employees to work more because they feel that if they don't put in the extra hours, they might lose their jobs. In response to these types of findings, the TUC General Secretary, John Monk claimed that:

'Too many workplaces are gripped by a long hours culture. Nothing is ever said, but the pressures of work, office culture and job insecurity make it clear that employees have little choice but to put in extra work'.
(BBC interview: August 26 1999)

It has been argued that advanced telecommunications provide more opportunities for flexible working, greater productivity and more time for family life. But, according to a report in the Financial Times:

'Technology can enslave rather than liberate people. It is driving many employees who are now accessible everywhere, to work all hours, leaving less time to get away from work'. (Jan 14. 1999: p10),

A more recent report (July 2001) claims that employees feel under pressure to respond to emails during weekends and holiday periods.

The IPD (1999) survey and the Institute of Management's 'Quality of Working Life Survey', conducted by UMIST (1998, 2001) found that the dedication to work is frequently at the expense of employees' home and social life. The Health and Safety Executive (HSE) is currently conducting a (17,000 respondent) survey into workplace stress. Preliminary results show one in five workers (20%) are 'very' or 'extremely' stressed at work. Stress attributed to factors outside of work was lower, with just over 10% reporting high stress levels. Research findings from the 'Quality of Working Life Survey' (2001) indicate that job insecurity and pressures to work longer hours are directly associated with the increase in workplace stress. Sixty percent of respondents said that long hours are damaging their health. Cary Cooper, head of the research unit, blames 'job insecurity, the work ethic and the fact that people want to show commitment and that they are not wimps for Britain's overtime culture and the increase in stress'. He also blames the advent of e-mail, mobile telephones and other instant forms of communication for exacerbating the situation.

From the patterns that have emerged from these surveys, it is clear that external environmental changes and the subsequent organization changes, have some negative consequences attached, with implications for both employees and the organisations.

Examining change at the organisation level

Moving beyond changes at the macro level and the potential longer term implications, one of the first objectives of this study was to identify more specific issues facing organisations when changes are implemented. The vehicle for achieving this was as a participant observer at 15 conferences/workshops, facilitated either by De Montfort University's Change and Development Forum or UKWON. The research objective was to assess how managers and employees perceived change. For example, what did they perceive as the critical success factors, the barriers to implementing change and the problems associated with it?

During the workshops, participants were quick to identify the barriers and problems associated with change but identifying effective solutions to overcome them, proved more problematic. Their concerns suggest that whilst resources are invested in new technology, new systems and new processes, organisations fail to invest in the processes for their implementation. Senior management concentrates on attaining organisational objectives and frequently overlooks the implications of change for employees. The main problems facing these managers related to:

- Pressures continuously to cut costs
- Lack of resources and effective procedures for implementing change
- Overcoming employees' resistance to change
- Dealing with the consequences, such as employee dissatisfaction, lack of commitment and stress.

Managers of change were suffering from 'initiative fatigue' and disillusioned by the prospect of implementing further changes, which they believe will be necessary. They claimed that despite the wealth of literature in this area, the academic texts are of little practical use and the prescriptive 'recipes', frequently based upon the practices adopted by one organisation, cannot easily be transferred to others.

Pilot study investigations

Before establishing a firm research agenda, a pilot study was carried out. A brief

review of the increasing number of psychological contract research publications indicated that some of the issues that are of concern to employees and organisations are those related to this concept. However, at this early stage of the study, the psychological contract was regarded as representing an 'umbrella' term encompassing a number of interrelated theories and assumptions. The aims of the pilot study were to identify the most pertinent issues in relation to change and determine whether the psychological contract could provide a theoretical framework within which to conduct empirical investigations. Interviews were conducted with twenty six managers who were asked to describe their experience of organisation change. Appendix 1.1 provides full details of these preliminary investigations.

Interviews first focused on organisation change in a more general sense and how the psychological contract between employer and employee might have changed over recent years. It was found that:

- Significant changes had been introduced in recent years in response to external pressures. Change was perceived as a means of reducing costs and improving performance.
- Interviewees' perception of the mutual obligations between themselves and their organisations had changed. Until recent years, many organisations were perceived as paternalistic, offering job security and a steady (sometimes dynamic) career structure for those who wanted it. In exchange, organisations expected hard work, commitment and loyalty.
- The balance between inputs and rewards was changing. Demands on employees had increased; they were expected to be more flexible, innovative and to work harder. Yet, the traditional rewards were no longer available; organisations could no longer guarantee job security and there were fewer opportunities for advancement.
- Some employees found uncertainty and increasing demands difficult to cope with. It was suggested that younger employees accept uncertainty more easily than older employees do. The former expect to move to other organisations to pursue their career.

Interviews then focused on specific change initiatives to determine what the experience was like for employees and how successfully it was managed.

A number of issues emerged with consistency, suggesting that, regardless of sector or the type of industry, there are similarities between organisations regarding the implementation of change and its impact on employees and the organisations. The most significant findings revealed that:

- When changes were first introduced, employees were concerned about how its implications on their own positions. If job losses were involved, they inevitably worried about job security.
- Employees were often not involved in decision making or adequately informed about how changes would affect them personally. Some found this time of uncertainty difficult to cope with and felt management did not pay sufficient attention to their concerns.
- Some problems associated with change were attributed to the way in which employees were treated, to the uncertainty and to increased pressures to perform.
- Interviewees noted an increase in short term absenteeism through minor ailments. The level of organisation stress had increased. Some employees were experiencing difficulties in their private lives due to work pressures. The minority used alcohol as a means of coping.
- Finally, some interviewees claimed there had been an increase in hostilities between colleagues, especially where there was concern about job security. This had a detrimental affect on the social environment at work.
- Senior management was usually satisfied that strategic objectives were achieved and cost reduction initiatives were usually successful. However, negative attitudes and dissatisfaction amongst some employees was unlikely to improve performance or increase productivity. Some interviewees were concerned that they might lose some of their best employees and consequently organisations would lose their competitive edge.

These findings reveal some of the problems associated with organisation change from an employee's perspective. They also highlighted some of the specific problems facing management when change initiatives are implemented. Finally,

they confirm that the concept of the psychological contract could provide a useful means of studying organisation change.

Research aims

This thesis aims to investigate a number of issues in relation to organisation change and the psychological contract. These can be considered in terms of three broad objectives, each of which aim to answer a set of more specific questions.

The *first* is concerned with general patterns and trends and addressing the debate concerning the current ‘state’ of the psychological contract. Empirical investigations aim to:

- Identify whether and in what ways the (alleged) increase in organisation change over recent years has impacted on the psychological contract;
- Investigate participants’ attitudes towards any psychological contract changes;
- Examine the extent to which employability is perceived to underpin participants’ current psychological contract.

The *second* objective is to examine how a specific change initiative might affect the psychological contract and whether this might influence reactions and responses to organisation change. To achieve this, the study draws on some of the cognitive and social psychological theories underpinning the psychological contract.

The *third* objective is concerned with learning more about participants’ experience of change and identifying the most pertinent issues in relation to that experience. For example, which aspects of the implementation process are they the most/least satisfied with?

In summary, this study will investigate change and the psychological contract on a number of different levels and from a number of different perspectives, which range from the influences of macro changes to the cognitive processes of the individuals.

The main research investigations were carried out with an aggregate group of 268 participants from 40 organisations and approximately 120 participants from each of the two case study organisations.

Thesis outline

The thesis is divided into a further seven chapters, the contents of which are summarised below.

Chapter 2 begins with an introduction to the origins of the psychological contract and a discussion of why there is a renewed interest in studying it. Theoretical and empirical research publications are reviewed; their contribution and the theoretical and methodological weaknesses are discussed. Theories closely related to the psychological contract are then discussed to demonstrate how the concept provides a useful means of analysing the process of change and its impact upon employees. The different strands of literature are synthesised and a model of change is suggested.

Chapter 3, the methodology chapter, begins by examining whether quantitative (positivist) and qualitative (constructivist) methods should be viewed as being bound to different paradigms or merely different methods of investigation? Should the choice of method(s) be determined by a researcher's paradigmatic stance or upon its suitability to address the research question? Can both methods of investigation be combined in one study? After discussing the main philosophical assumptions underpinning positivism and constructivism, an argument is put forward within the context of this research project, favouring the use of whatever method(s) best answers the research question and for combining quantitative and qualitative methods.

The rationale underpinning the design of the 'organisation change survey' is then outlined, followed by procedural details of how these investigations were carried out.

Chapter 4 investigates organisation change and its potential affects on the psychological contract in a generic sense. It investigates how the alleged continuous changes over recent years have impacted on the psychological contract and whether there is any evidence to suggest that employability is a key feature of the new psychological contract.

The main objective of **Chapter 5** is to conduct statistical analyses to determine whether the model of change, proposed in the chapter two, accurately reflects participants' experience. The data are subjected to a principal components analysis (PCA) to determine whether each dimension in the model represents an independent factor. Correlation and hierarchical regression analyses are then performed to test whether the proposed relationships are statistically significant.

Chapter 6 analyses data from the three different research samples to find out more about participants' experience of a specific change initiative to determine: how change might affect the psychological contract; how the management of change is perceived; whether there is a relationship between the management of change and employees' ability to adapt to any changes in the psychological contract; and finally whether there is a relationship between how the psychological contract is perceived and employee and organisation outcome measures. The similarities and differences between the research samples are highlighted throughout the chapter.

Chapter 7 reviews the findings to determine how a number of unexpected factors influence participants' perception and experience of organisation change, its effects on the psychological contract and their subsequent reactions and responses to change. It also examines some of the longer term implications of continuous organisation changes on the psychological contract, particularly where there is dissatisfaction with the management of change

Chapter 8 presents the conclusions from the entire study and discusses the theoretical and practical implications. In the final section of chapter eight, recommendations are made to management to address their change management problems as well as the more general problems in the employment relationship.

Chapter 2

The psychological contract as a means of understanding change

'We've changed everything so much and I'm sure we'll continue. We expect our employees just to go along with it. But the problem is, their expectations and the way they see their work haven't change; unfortunately we haven't done very much to help them adjust' (Personnel manager, manufacturing organization)

Introduction and chapter outline

The objective of this chapter is to introduce the literature that has influenced and shaped this research. It first provides some background information and introduces the concept of the psychological contract. It discusses its origins and some of the problems researchers have had in defining it and in studying it. The section concludes by outlining why it is an important part of the employment relationship and how it influences employee and organisation outcome measures.

The next section discusses the increasing interest in the psychological contract amongst academics and practitioners over the last ten years, much of which was stimulated by the ways in which significant organisation changes have affected employees. Research evidence reveals the paradox of organisation change. On the one hand, in an increasingly competitive environment, organisational success is dependent upon highly motivated, committed and innovative employees. On the other hand, the conditions that encourage these behaviours are said to no longer exist. Some researchers argue that 'employability' has replaced guarantees of security and long term commitment. However there is a debate as to whether 'employability' has translated into anything meaningful, at least from the employees' perspective.

Theoretical and empirical studies are then discussed which investigate how psychological contracts change. Models of contract transformation and violation and studies that show a relationship between perception of violation and behaviour

and attitudes are examined. The contribution these make to our understanding of the effects of change on the psychological contract is discussed. The methodological limitations are highlighted.

It is then argued that whilst advances have been made, some fundamental issues remain relatively unexplored. Researchers frequently refer to the theoretical underpinnings of the psychological contract, but rarely are they utilised in empirical investigations. Theories closely related to the concept, including schema theory (Sims and Gioia, 1986), cognitive dissonance (Festinger, 1957), social exchange theory (Blau, 1964) and organisational justice (Bies and Moag, 1986; Greenberg, 1990b) are discussed to demonstrate how it provides a useful means of analysing the process of change and its impact upon employees.

In the final section, in which the different strands of literature are synthesised, a process of change is hypothesised. This also serves as a conclusion to the chapter by reviewing the most significant issues that are raised throughout.

Introduction to the psychological contract

The significance of a psychological contract between employer and employee was documented in 1965, and the theories underpinning it have been of interest to sociologists and psychologists for nearly forty years. However, it is only in the last decade that research in this area became of interest within organisational behaviour, human resource management (HRM) and organisational psychology. According to Anderson and Schalk (1998) the shifts in the balance of the reciprocal agreement between employers and employees (as a result of widespread change) have been one of the driving forces behind the renewed interest in the psychological contract as a means of understanding these shifts in employment relations. The following section will discuss psychological contract changes and the impact on employees in more detail. The purpose of this section is to provide some background information and trace its origins and to discuss some of the more recent debates concerning definitional issues and the scientific value of the concept.

Argyris first referred to the psychological contract in 1960 in terms of the relationship between employer and employee. Following observations and interviews conducted in two factories, he concluded that:

'Since the foremen realise the employees in this system will tend to produce optimally under passive leaderships, and since the employees agree, a relationship may be hypothesised to evolve between the employees and the foremen which might be called the psychological work contract'. (Argyris, 1960: 96).

Argyris suggested that a psychological work contract or understanding would develop between the foremen and employees if the foremen respected the norms of employees' informal culture. He argued that employees would maintain high production and low grievances if they were left alone, received adequate pay and guaranteed secure jobs. Although it was Argyris who proposed that a relationship existed that was potentially stronger than the formal contract of employment, he referred to the psychological contract only in passing, and Levinson (1962) claims to have been the 'father' of the concept (cited in Anderson and Schalk, 1998).

Definitional contradictions

Levinson et al (1962) defined the psychological contract as 'the unwritten contract, the sum of the mutual expectations between the organisation and employee'. Schein (1965, 1980) defined it as the unwritten expectations present at each moment between each member of the organisation and others in the organisation. Whilst it is clear that Argyris, Levinson and Schein were referring to an implicit but mutual understanding between *employer* and *employee*, their definitions have more recently been challenged. Rousseau for example, who has been influential in psychological research, provides a much narrower definition.

'The psychological contract is the *employee's* perception of the mutual *obligations* existing with their employer'. (Rousseau, 1990: 391) (Emphases added).

This definition sets the borders around the psychological contract as only the *employee's* perception about the mutual *obligations*. In doing so, she raises two important issues, which have yet to be resolved.

First, does the psychological contract constitute the perceptions of *both* employer and employee, or just the employee? According to Schein (1965, 1980), the psychological contract has two levels; the individual's and the organisation's perceptions of what they owe each other. More recently, Herriot and Pemberton (1995) also investigated the psychological contract from the both the employees' and the organisation's perspective. But, as Anderson and Schalk (1998) point out:

'By using Rousseau's definition, the perspective shifts from a bilateral relationship between two parties at different levels (individual and organisational) to a unilateral, singular level of the individual'. (1998: 639).

That two different conceptualisations of the concept exist has methodological implications for research. One implies that the perceptions of both the organisation and employees need to be taken into consideration, whereas the other implies that it should be studied from only the employee's perspective. Such definitional issues can lead to confusion and misunderstanding and should be kept in mind when reading psychological contract literature.

Whilst it is acknowledged that the debate is necessary for advancing and clarifying future research, it should be made clear that this study investigates only the employee's perception of the relationship. The reasons being that first, a contribution to this area of research is beyond the aims and scope of this thesis. Second, it is thought that studying the concept from the organisation's perspective is problematic and runs the risk of anthropomorphizing. Who or what for example, represents the organisation? As Schalk and Freese (1993) point out, 'an organisation can hardly be considered as a uniform set of expectations, rather it is a multiple collective of diverse and differing expectations held by a whole set of actors' (cited in Anderson and Schalk, 1998: 639). Thus the collection of reliable and valid data representing the organisation's side of the psychological contract is difficult. The debate will be left for Rousseau and other researchers to continue.

The second issue raised by Rousseau's definition is whether the psychological contract should be considered only in terms of perceived mutual *obligations* and not expectations or promises. The terms have been used interchangeably in research

papers and it is argued here that Rousseau's definition is too narrow. Whilst researchers make the distinction between terms, in organisation life it might not be so clear; employees unfamiliar with psychological contract research might not interpret the meaning of '*obligations*' in the same way as Rousseau. As Arnold (1996) states

'It is not clear that there would be any difference between a perceived obligation of action and expectation of action when the action is carried out. Both confirm the psychological contract's inferences' (cited in Thomas and Anderson, 1998: 746).

It is suggested that until empirical evidence indicates otherwise, perceived '*obligations*', '*expectations*', and '*promises*' should all be considered as acceptable terms in research. Nevertheless, as this issue causes confusion, the context in which the terms are used in psychological contract studies, needs to be clarified.

Scientific value of the concept

Researchers generally agree that the concept of a psychological contract has high face validity: employers and employees agree that it exists and most employees are able to describe its content (Anderson and Schalk, 1998). Nevertheless, studying it has proved empirically and theoretically problematic. There is a general consensus on what the psychological contract refers to but '*its constituent dimensions have remained elusive and not generally agreed upon, with different researchers developing varying operationalizations on both theoretical and empirical foundations*' (Freese and Schalk, 1996: cited in Thomas and Anderson, 1998:746). The fact that it is so easy to talk about and that it seems closely connected with developments in organisations (Herriot and Pemberton, 1995) leads to the danger that the concept will degenerate into empty rhetoric (Arnold, 1996; Guest, 1996; Herriot, 1996). Therefore, it is important to critically assess its scientific value (Arnold, 1996; Guest, 1998; Rousseau, 1998).

In one of several articles on the psychological contract published in the '*Journal of Organization Behaviour*' (1998), Rousseau argues that the psychological contract is a construct. Guest challenges Rousseau and suggests that it is a metaphor borrowed

from law, as there is a close relationship between law and the psychological contract since a contract is based on the agreement between two parties. However, Rousseau (same edition) responds to Guest by suggesting that there is substantial empirical evidence to prove the construct validity of the psychological contract. This includes

'The consistent findings that 'violation' of the psychological contract differs significantly from unmet expectations and the highly differing responses between individuals with transactional contracts and those with relational ones' (Rousseau, 1998).

Nevertheless, at present, studies raise as many questions about the dynamics of employee behaviours as they answer (Arnold, 1996; Sparrow 1996a, 1998). Conceptual and empirical issues still need to be addressed for a fuller understanding its nature and dynamics, not the least of which is clarification of its meaning, as well its content and features (Anderson and Schalk, 1998; Guest, 1998; Sparrow, 1996a, 1998). As some researches suggest, the psychological contract (in management practice especially), is a construct that has been abused and Herriot (1996) claims that:

'There is a general tendency amongst gurus, consultants and high profile practitioners to create or embrace new rhetoric. There is a danger that the psychological contract will be seen as a new product' (1996: 105).

Despite Guest's reservations and no doubt the debate will continue into the future, he is optimistic of psychological contract research, which he suggests provides the opportunity to integrate several significant organisational concepts. This is consistent with the perspective adopted in this study and will be explored later in this chapter when several theories related to the psychological contract are discussed. It is also argued here that the psychological contract provides a useful means of analysing the changing employment relationship but, it should not be regarded by HRM as the latest management tool.

Why is the psychological contract important?

This study focuses on two important dimensions of the psychological contract; its function or purpose in providing a degree of predictability, security and control and

the degree of balance between employees' inputs and the rewards they receive. A more detailed discussion, of the theoretical underpinnings framing this research, develops later in the chapter. However, they are briefly introduced here to illustrate its role and its significance in organisation life. It also introduces readers unfamiliar with the literature to these important dimensions of the psychological contract

The psychological contract can be thought of in terms a mental model, or schema, which people use to frame events or to interpret their world and generate appropriate behaviours (Rousseau, 1995; 2001). Schemas, are highly structured, pre-existing knowledge systems that develop through experience and subsequently guide the way information is organised (Stein, 1992). In an employment context, a schema can be thought of as an individual's belief structure of what is expected to occur in the organisation and what is expected of them. Over a period of time and in a relatively stable work environment, employees come to rely upon schemas or mental models as a means of interpreting and predicting their organisational world and their relationship with their employer. The psychological contract also provides a sense of control. It gives employees the feeling that they are able to influence their destiny in an organisation since they are party to the contract and because they are able to choose whether they carry out their obligations. Thus, the psychological contract serves a primary function of uncertainty reduction, giving employees a greater sense of predictability, security and control (McFarlane Shore and Tetrick 1994; Rousseau, 1994).

Researchers agree that the psychological contract constitutes a reciprocal (although implicit) agreement between employer and employee by which one is obligated to give something in return for something received; it is essentially an exchange relationship. Although some authors do not state it explicitly, and many refer to it only in passing, the notion of an exchange relationship is derived from models in social psychology such as equity theory (Adams, 1965) and social exchange theory (Blau, 1964)

According to social exchange theory (Blau, 1964) participants in the relationship, will try to maintain a degree of balance between inputs and rewards. An employee's decision to fulfil their (perceived) obligations to the organisation will be based upon

the degree to which they perceive the exchange relationship between themselves and their employers as equitable. Guest et al (1996), suggest that the strength of the psychological contract is dependent on how fair the individual believes the organisation is in fulfilling its perceived obligations above and beyond the formal written contract of employment. This in turn determines commitment to the organisation, motivation, job satisfaction and the extent to which they feel secure in their job (Guest, 1996; Makin & Cooper, 1995; Rousseau, 1994, 996). In other words, promises made by the organisation followed by employee effort lead to expectations of payment or organisational fulfilment of obligations. When fulfilled according to expectations it leads to positive attitudes and a high level of commitment.

What is happening to the psychological contract?

Evidence presented in the introductory chapter and findings from the pilot study (appendix 1.1), showed that changes at the macro level such as globalisation, slower economical growth, and technological innovations are amongst the driving forces for organisation change. This section reviews research that shows how such changes have subsequently impacted on the psychological contract.

As suggested at the beginning of this chapter, academic research, references to the psychological contract in management texts, as well as practitioner discourse, have increased dramatically over the last ten years. Factors influencing this research are shown in figure 2.1. Much of this renewed interest lies in trying to establish the effects of changing working patterns on the psychological contract. This, according to some researchers, is because it provides an account of why many organisations are currently experiencing difficulties in the employment relationship (Herriot et al, 1997). It also appears to offer a way forward for addressing them (Herriot and Pemberton, 1995). As Blancero (1997:1) suggests

'One answer (to ensuring, hard work and loyalty, in the absence of job security) is to effectively manage the psychological contracts of employees through careful implementation of human resource strategies and with overall fair treatment'.

The 'old' psychological contract

Whilst there is no universal agreement about what the content of the psychological contract is, it is generally agreed amongst researchers that it has changed over recent years (for example, Blancero, 1997; Herriot and Pemberton, 1995; Hiltrop, 1995; Kessler and Undy; McLean Parks and Kidder, 1994; Morrison and Robinson, 1997, Pascale, 1995; Robinson et al, 1994; Rousseau, 1996; Sims, 1994; Sparrow, 1996).

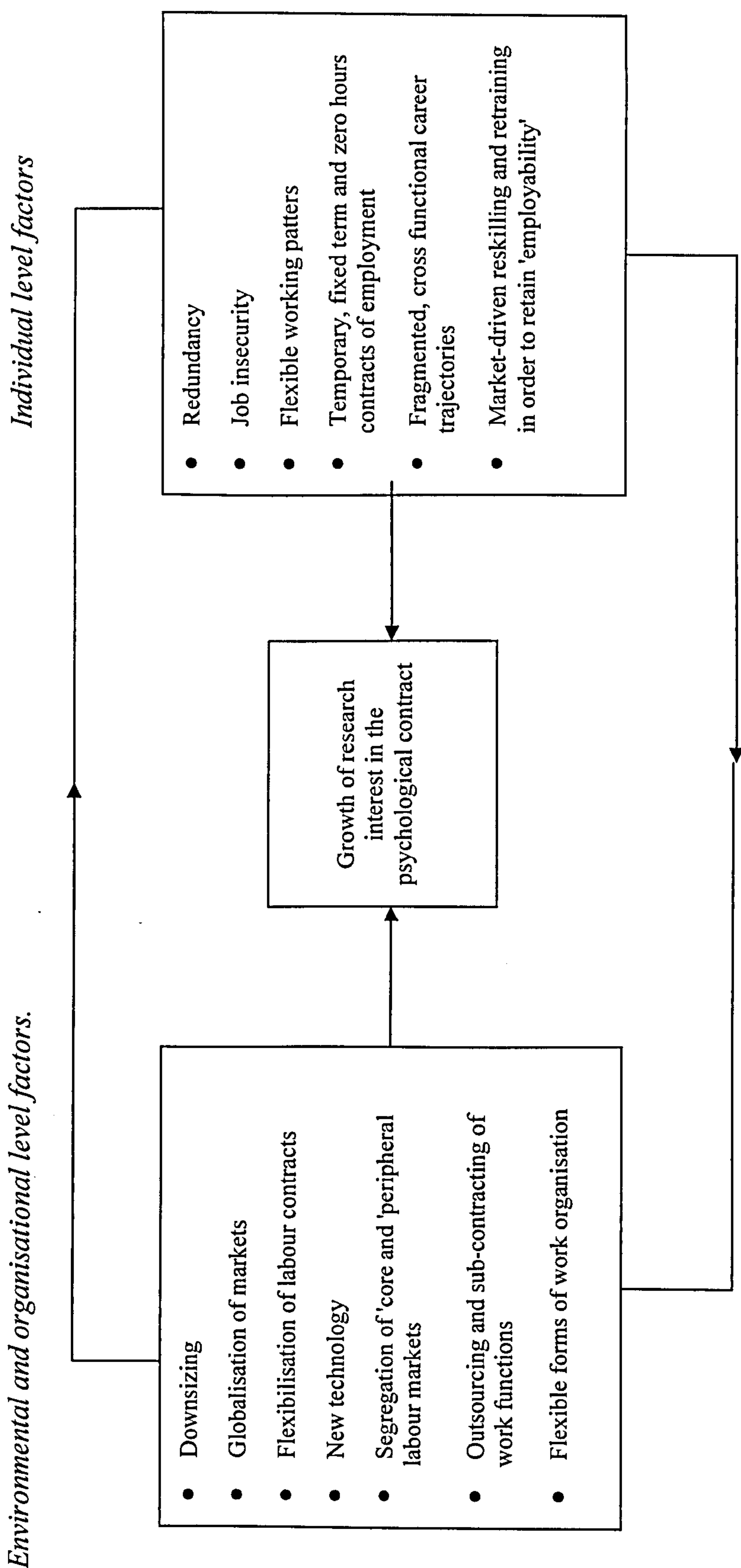
Until the last decade, the majority of organisations were often described as hierarchical, bureaucratic, and the employment relationship as paternalistic. The organisation's structure and employees' current and future place in it were clear. In exchange for loyalty, commitment and acceptable levels of performance, employees received security, regular advancement opportunities, annual pay increases, reward for outstanding or loyal performance in the form of higher paid posts, additional benefits, and investment in training and development (Capelli, 1997; Pascale, 1995; Sims, 1994). They tolerated bureaucratic aggravation and the occasional domineering boss (Blancero, 1997). According to Hiltrop:

'This clarity created predictability, permanence and security for employees and probably led them to see their own long term interests as intimately bound up with the long term fortunes of the organisation'.
(1995: 287)

Employers, on the other hand, were reasonably confident that their employees' skills would not be immediately lost to another company

Fig. 2.1 Factors influencing the growth in psychological contract research

(Anderson and Schalk, 1998: 643)



In the 'traditional' work paradigm, the psychological contract was straightforward. It existed in organisations that were characterised by 'stability, predictability and growth' (Sims, 1994: 374). The changes introduced in the late 1980s and early 1990s, in responses to external pressures, began to shake the foundations of that paradigm (Herriot and Pemberton, 1997; Hiltrop, 1995; Pascale, 1995; Sims, 1994).

As discussed in chapter 1, we have witnessed a period of continuous attrition, in which companies have downsized, delayered, re-engineered and outsourced to increase productivity, cut costs and develop new strategies, which focus on speed and responsiveness to changing market conditions (Herriot et al, 1997). The world's largest organisations have reduced their workforce. For example, the finance sector saw the loss of 100,000 jobs between 1991-1994 (Rajan, 1997). Downsizing has affected white collar and management positions that were traditionally protected from economic changes (King, 2000). Older and more educated workers were also more likely to be displaced in the 1990s compared with earlier periods (Capelli, 1997).

To control fluctuating demands for labour and increase the flexibility of the workforce, there has been a shift from permanent jobs to contractors, leased employees and temporary workers. As organisations focus less on long term performance, employees are recruited and retained for particular skills, often for only a short time (Herriot and Pemberton, 1996; Pascale, 1995). In the finance sector there have been increasing demands for: better deployment of capital; outsourcing of non core activities; fewer management layers; leaner branch networks; fewer grade jobs; performance related pay; and fewer processes that amalgamate a number of related functions through extensive re-engineering' (Rajan, 1997:67).

Evidence suggests that these changes represented a threat to the reciprocal nature of the psychological contract with consequences for both employees and employers (Herriot et al, 1997; Herriot and Pemberton, 1996; 1989; Sims, 1994). For example, at the same time as reducing rewards such as job security, a steady career progression and regular pay increases, the demands on employees have increased.

According to Yankelovich (1994) companies do not realise they are violating an unwritten but important social contract they have with workers; they are unaware of the impact they are having. Rajan (1997) suggests that whilst lean production reduces costs and improves profitability, it also undermines three traditional drivers of staff motivation: job security; cost of living increases and career progression. According to Hiltrop (1995) the most significant change for employees has been the vast drop in job security. For employees who survive downsizing programmes, expectations of job security are now untenable (Herriot and Pemberton, 1996). There has also been a significant decline in the likelihood of recall from layoff, which in the past was associated with downturns in business cycles; workers expected to be called back when business improved.

Fundamental changes in organisations' structure and strategy have had a profound effect upon organisational careers, weakening the rungs on the career ladder (Goffee and Scase, 1992). Devolution of responsibility for decisions and budgets reduced the need for supervisory and managerial control (Herriot and Pemberton, 1996: 757). In a study by Ebadan and Winstanley (1997), 72% of respondents rated their career prospects since downsizing as worse. And, according to Hiltrop:

'The flexible, delayed, slimmer organisation, constantly changing to suit its volatile and shifting markets, can no longer offer the secure career progression of traditional structures' (1995: 287).

Opportunities for pay increases are not what they used to be in downsized, restructured companies (Hiltrop, 1995; Sims, 1994). Reward criteria have been changed; cost of living and seniority-based pay increases are being replaced by performance-related pay based on individual or team contribution (Rajan, 1997).

Whilst organisations might no longer offer traditional rewards, employees are also faced with new demands. Organisation success is dependent not only on reducing costs but on improving the performance of the workforce. What organisations expect of their employees today, might be completely different from what they expected in the past. For example, there is an increased emphasis on creating flexibility to achieve better usage of labour. Organisations empower managers and staff so that they perform more functions under one job title, requiring a multiplicity

of skills. According to Capelli (1997) and Sims (1994), employees' job descriptions have broadened. They must develop and extend existing skills and are required to have knowledge about company products and services together with problem solving, diagnostic and inter-personal communication skills. Sparrow (1996) found that in the banking sector the new strategies and structures have required new staff competencies.

'Staff have needed to become more sales orientated, outgoing, adaptable, educated, competitive and committed. Highly bureaucratic and administrative forms of control have been replaced by control exercised through empowerment and increasing accountability'
(1997: 75)

Many employees are under pressure to constantly update their skills to avoid the risk of skills obsolescence as new technologies are applied.

Re-engineering and restructuring in the banking sector are creating the potential for a major improvement in staff productivity (Rajan, 1997). Employers and investors have reaped the gains from changes in the employment relationship: productivity has increased, high profits are returned to share holders (Capelli, 1997) and executive compensation levels have mushroomed. The question is: will the full potential be realised in a business climate characterised by job loss and limited career progression? According to Pascale (1995:26), 'The demands for committed involvement will increase in parallel with the insecurity associated with it'. Job cuts are unlikely to raise productivity; they undermine the conditions necessary for innovation and teamworking by creating feelings of insecurity, a sense of powerlessness and helplessness (Hendry and Jenkins, 1997). As suggested by Capelli (1997) the norm of reciprocity runs deep in every society and employees who have kept their side of the bargain with long service feel that the contract has been violated if the employer deviates from its obligations.

Because of these changes, researchers claim that the psychological contract is changing or has already changed. They have drawn distinctions between the 'traditional' or 'old' and the 'new' psychological contract (For example, Blancero, 1997; Herriot and Pemberton, 1997; Hiltrop, 1995; Kessler and Undy, Kissler, 1994; McLean Parks and Kidder; Morrison, 1994; Morrison and Robinson, 1997; Rajan,

1997; Robinson et al, 1994; Rousseau, 1989, 1995; Rousseau and Greller, 1994; Sims, 1994; Sparrow, 1996).

Sparrow (1996) outlines a number of key features that distinguish the 'old' from 'new' psychological contract (table 2.1). These are consistent with the claims made by many authors working in this area. See for example Hiltrop's (1995) model, ('Past and emergent forms of psychological contract), and Herriot and Pemberton's outline of the features of the new psychological contract in 'New Deals' (1995) and 'Facilitating new deals' (1997).

Table 2.1 Comparison of the ‘old and ‘new’ psychological contract		
	Old Contract	New Contract
Change environment	Stable, short term focus	Continuous change
Culture	Paternalism, time served, exchange security for commitment	Those who perform get rewarded and have contract developed
Rewards	Paid on level, position and status	Paid on contributions
Motivational currency	Promotion	Job enrichment, competency development
Promotion basis	Expected, time served, technical competence	Less opportunity, new criteria, for those who deserve it
Mobility expectations	Infrequent and on employee's terms	Horizontal, used to rejuvenate organisation, managed process
Redundancy/tenure guarantee	Job for life if perform	Lucky to have a job, no guarantee
Responsibility	Instrumental employees, exchange promotion for more responsibility	To be encouraged, balanced with more accountability, linked to innovation
Status	Very important	To be earned by competence and credibility
Personal development	The organisation's responsibility	The individual's responsibility to improve employability
Trust	High trust possible	Desirable, but expect employees to be more committed to project or profession

(Sparrow 1996: 77)

Employability as the answer?

Whilst the old contract offered steady financial rewards, security, career structure and rewards for length of service, in return for loyalty, commitment and trust in the organisation, the new contract emphasises employability. According to Pascale (1995), employability has been advanced as the mechanism to restore a healthier balance in the exchange between employer and employee. It envisions an arrangement in which both parties accept that work is unlikely to be the long-term proposition it once was. It marks a move away from a paternalistic to a performance culture, from providing lifetime employment with one organisation to improving an individual's employability in many others. In exchange for high levels of performance and commitment in the short term, the company pays higher wages and invests in employee development, making them more marketable when it is time to move on.

Some authors suggest that organisations will be more successful in gaining employees' acceptance of the notion of employability and they will adapt more readily to new ways of working if the message is spelled out clearly for them. According to O'Reilly (1994)

'Companies that make explicit the new rules discover they can elicit a new form of commitment and hard work from employees ... albeit relations may be far less warm, loyal or familial'.

O'Reilly claims that some of the multi-national corporations (for example Intel, Hewlett Packard, IBM, Apple, and Reuters) found it useful to share as much information as possible with employees so that they can make intelligent decisions about their careers. Regular meetings provide employees with information concerning the organisation's financial health and long term strategic plans. Managers are responsible for helping co-workers recognise if demand for their skills is shifting, and for encouraging them to seek necessary training. Nevertheless, he claims that the message to employees is clear: "You own your own employability. You are responsible".

Rajan (1997) found that similar moves have been made in the finance sector. Banks invested in a series of employee involvement initiatives such as team briefings, attitude surveys, and communication through newspapers and videos. Changes have been reported and explained to the workforce in Barclays, Lloyds, Midland and National Westminster Banks, but these have not been totally successful in conveying the realities of the new employment contract (Sparrow, 1996: 76). Pay and conditions of work are more likely to be discussed than issues concerning security and maintenance of employment (Townley, 1994).

Rhetoric or reality?

Does making the 'deal' explicit enable employees to accept and adapt to the changing work environment? According to Sims (1994:374) employees understand and accept that they:

- Can expect to have multiple careers;
- Have more responsibility for assessing and designing their own careers;
- Must seek new definitions of success and;
- Need to emphasise lifelong learning to avoid obsolescence of job skills.

Other researchers (Earley, 1996; Flinn, 1997; Ramsey, 1999) and (according to a number of publications in the Observer, Times and Financial Times) an increasing number of practitioners are equally optimistic that employees have accepted a new psychological contract based on employability and that it represents a way forward.

Evidence suggests that the new generation of young, highly educated workers find changes easier to accept (Hammet, 1994). This group wants more opportunities for development, autonomy, flexibility and meaningful work experiences. They want to participate fully in the work environment, react adversely to rigid hierarchies and denounce a lack of involvement in decisions affecting them (Harding 1991). Other researchers, such as Herriot and Pemberton (1996) corroborate these findings.

Whilst this represents good news for younger employees and for organisations employing this group, what about the remainder of the workforce? Research findings (Hiltrop, 1995; Herriot and Pemberton, 1996) indicate that older employees find it the most difficult to manage the changes. Older workers, particularly those over 50, are more likely to emphasise the Protestant work ethic (Harding, 1991). This suggests that younger, more qualified employees accept the notion of employability more readily than older employees, who may retain a desire for the old psychological contract and a career with one organisation. However, evidence from Ebadan and Winstanley (1997) showed that employees of all ages were 'clinging to unrealistic notions of career', with the expectation of long term employment with their present employer. A survey by the Institute of Personnel and Development (IPD) (Stevens, 1995) also found a strong residual attachment to the idea of long term employment with the same organisation, despite clear evidence to suggest otherwise.

It has been suggested that many organisations that have changed working practices have not changed other aspects of their culture which the 'new deal' requires, which might encourage the acceptance of employability. Rajan (1997) found that organisations had not clearly articulated the new values they are operating on. They carry over a mixed 'baggage' of old and new culture and thus give out mixed messages. For example, organisations that have pushed through heavy job cuts and restructuring still use the public language of long term commitment (Hendry and Jenkins, 1997). This in turn undermines the process of change and any attempts to transform performance. Furthermore, the loss of long established trust caused by cultural shifts has made it hard to manage the inevitable ambiguity caused by mammoth change (IRS Employment Trends, March 1997).

Pascale (1995) adopted a pessimistic view when he suggested that only 10% of the workforce would pass the 'employability test'. He claimed that:

'A new contract predicted on employability is the sound of one hand clapping. Employability is an ill thought through concept infused with more hope than substance' (Pascale, 1995:21).

More cynically, Hendry & Jenkins (1997: 41) claim that 'employability can be seen as a convenient fig leaf to hide the loss of opportunity, while organisations are actually rather powerless to offer anything else'. Rajan (1997) suggests that organisations have shown more interest in ensuring internal 'employability' (to retain skills) than external 'employability' (to give them away). In contrast to the optimistic view of employability, this evidence suggests that organisations have failed to turn the rhetoric of employability into anything meaningful.

A more recent study by Rajan (1999) suggests that many employers have dropped the term from their vocabulary and others have redefined it to mean people's future employability within the company rather than outside it. Because of the costs of training and development and low returns and with the vast numbers of staff shed over recent years, remaining employees are more valuable. Furthermore, with flatter organization structures, organisations are unable to utilise the newly acquired skill of their employees. While the job for life culture might have gone for good, Rajan (1999) argues that employees can expect a degree of job security provided they can demonstrate their contribution to the organisation. Performance not paternalism, he argues, is key to understanding the new contract.

Whilst these studies suggest the 'old' psychological contract no longer exists and that only the minority have accepted the 'new' psychological contract, a series of studies by Guest and colleagues found evidence to the contrary, at least in the private sector. Guest and Conway (1996) aimed to find out how people are adapting to workplace change and to suggest how managers might respond. They found that generally there was a positive attitude and that the traditional psychological contract built around job security and career is 'still alive and surprisingly well'. The following year (Guest, 1997), employees were generally more positive. Studies carried out in 1999 and 2000 yielded similar findings, although as suggested above, psychological contracts in the public sector have been badly affected. However, other researchers have been less optimistic. The IRS Employment trends survey (March 1997) found that performance and morale problems had increased. In line with increased performance expectations, employees are demoralised, distrust employers and view management's revised stance as a mixed and unfair message. This has led to an increase in stress, economic uncertainty and perceptions of inequity. These findings

are corroborated by the findings from other studies (for example, Mohran and Lawler, 1997; Salisbury, 1997; Singh, 1998 amongst others). Mohran and Lawler and Singh suggest that organisations need to deal with these negative effects and redefine the psychological contract.

In summary, empirical evidence suggests that widespread organisation changes have had impacted on the psychological contracts. However, there is conflicting evidence concerning the extent to which employability is a key feature of the new psychological contract. Furthermore, Guest et al argue that the traditional psychological contract is 'still alive and surprisingly well'. Despite over a decade of research, there is no conclusive evidence to show how the psychological contract is perceived. One of the objectives of this study is to examine how the psychological contracts' of this research sample might have changed and to determine (if there have been changes) how such changes are perceived.

Whilst this section has discussed organisation change in a wider context and the more *general*, changes in the psychological contract, the following section is much narrower in its focus. It examines studies that focus specifically on how psychological contracts change, the factors that bring about such changes and how this subsequently impacts on employee behaviour and attitudes.

Psychological contracts are constantly changing

Researchers have focused attention on how the psychological contract changes either naturally over time or through breach or violation whereby one party perceives that the other party has failed to fulfil its obligations. They illustrate how the psychological contract is transformed (Rousseau, 1996) and the relationship between perceptions of contract breach or violation and employee behaviour and attitudes (Blancero, 1997; Turnley and Feldman, 1999; Parkes and Kidder, 1994; Robinson et al, 1994; Robinson and Morrison, 1995; Robinson and Rousseau, 1994). This type of research provides some explanation of how a particular change initiative might affect the psychological contract, although as this section shows, there are some limitations to these studies.

Psychological contracts are dynamic, once formed they do not remain static but are constantly evolving through organisational experience. Rousseau (1995; 141-179) describes three ways in which they change. These are briefly outlined.

Contract 'drift', 'accommodation' and 'transformation'.

Psychological contracts can change without any formal effort to alter their terms. Contract 'drift' refers to internal changes, which happen naturally over time as part of the maturation process, personal development, ageing and the contract's duration.

'Drift occurs when beliefs gradually diverge regarding whether terms are performed, when terms come to mean something different than they did initially, or when the contract acquires new terms without one party becoming aware of the addition' (Rousseau, 1995:144).

External factors, such as, organization change or a move to a new position, are likely to change the psychological contract more significantly. Accommodation is where adjustments are made within the framework of the psychological contract.

'Accommodation occurs when the same schemas remain, despite acknowledged changes in working conditions' (Rousseau, 1995: 154)

Accommodations modify, clarify, substitute, or expand terms within the context of the existing contract. An example might be when an employee is asked to work additional hours or alter slightly their ways of working. Information is incorporated into existing schemas and adjustments are made relatively easily.

Transformation on the other hand, is a more radical form of change. It marks a fundamental shift in the nature of the relationship between the parties, creating a shift in meaning and interpretation. 'Transformation is where an existing contract ends, sometimes through breach or violation and sometimes by completion, and a new contract is created' (Rousseau, 1995; 161). It is suggested here that organisational change, such as the introduction of new technology, downsizing or a change in the written employment contract might represent a catalyst for the transformation process. Louis (1986: 235) defined change as 'an objective

difference in a major feature between the new and the old setting'. It is the newness of the 'changed to' situation that requires individuals to adjust. Rousseau proposes a four stage model, first developed by Bartunek (1988), as a means of describing the process through which the psychological contract is transformed. She draws upon research into schema change (Sims and Gioia, 1986), organisational transformation (Bartunek, 1988), and learning (Argyris and Schon).

<i>Stage 1: Challenging the contract</i>	The reasons for change must be perceived, understood and interpreted as legitimate.
<i>Stage 2: Preparing to reframe</i>	The old contract is unfrozen and efforts are taken to reduce or offset losses.
<i>Stage 3: New contract generation</i>	A new contract is created to supplant the old one
<i>Stage 4: New contract testing and reliance</i>	Acceptance of the new contract must occur to complete the process of transformation

According to Rousseau, (1994: 177) successful transformation depends upon ten factors (table 2.2).

The purpose of contract transformation is the creation of a new contract in place of an existing one. The process determines whether change degenerates into violation (see below) or transforms the basis of the relationship; there is often a fine line between the two.

It is argued here that Rousseau's work on contract transformation remains theoretical. Her model is idealistic, indicative of what one would expect to find in popular management texts, and lacking evidence to show whether it works in practice. It implies that the process of transformation is a smooth linear one in which both the organisation and employees actively engage. It is argued that this might work in some of the larger organisations with an HR function to initiate and manage the transformation process and it might work at an individual level, if for example an employee moves to another position. But, when radical changes are introduced across the organisation, the process is unlikely to be so neat.

Table 2.2 Factors influencing psychological contract transformation (Rousseau, 1996)

1. Well-articulated externally validated reasons for the change
2. Member involvement in gathering information on environmental factors contributing to the change
3. Acknowledgment and even celebration of the old contract
4. Scrupulous efforts to assess and then offset the losses involved in the change
5. Building strong communication links up and down during transition to a new contract by using planning tasks forces and frequent cross-level meetings;
6. Responding to the need for more information and structure during uncertain times by creating interim transition arrangements emphasizing short-term projects and activities that benefit the long-term change effort (e.g., training, task forces);
7. Managing the meaning of change by expressing current efforts in terms of long-term objectives;
8. Aligning the many contract makers (people and structures) by integrating the change efforts into training and human resource (HR) activities;
9. Promoting acceptance by evoking new contract-making events such as orientations, internal recruiting, and participation in planning;
10. Soliciting input on how thoroughly the new contract is implemented, and taking corrective action quickly when reality tests fail

Psychological contract violation

Violation is generally referred to as 'the feelings of anger and betrayal that are experienced when an employee believes that the organisation has failed to fulfil one or more of its perceived obligations' (Rousseau, 1996). Violation or breach of the psychological contract can be a catalyst for the transformation process.

Empirical studies have investigated the prevalence of contract violation and its impact on employee behaviour. For example, Robinson and Rousseau (1994) studied MBA graduates throughout the first two years of employment, focusing attention on how the psychological contracts' of new recruits are formed and change during the first few months in an organisation. They claimed that 'violation is not

the exception but the norm'. Turnley and Feldman (1998) also found that managers in an organisation undergoing restructuring felt that their contract had been violated in a number of areas.

Further evidence suggests that perceptions of violation may be powerful in predicting some attitudinal and behavioural outcomes, such as the extent and forms of organisational citizenship behaviour (OCB), the behaviours exhibited by employees which extend beyond those for which they are paid (Robinson and Rousseau, 1994; Parkes and Kidder, 1994). Robinson and Rousseau found perceptions of violation to be positively correlated with turnover and negatively correlated with trust, satisfaction and intention to remain. Blancero (1997), Robinson et al (1994), Robinson and Morrison (1995) and Turnley and Feldman (1998) also found that perceptions of violations had a negative impact on behaviour and attitudes.

On a more positive note, Blancero (1997) suggests the effects of violation can be minimised by implementing effective HR strategies and by ensuring fairness. This supported by Turnley and Feldman (1998) who found fairness in decision making, low likelihood of future violations and positive relationships with supervisors and colleagues, reduced the intensity of perceptions of violation. And Rousseau (1994) suggests that violation of the psychological contract need not be the end of the contract. Based on research by Hirschman (1970) and Farrell (1983), which investigates dissatisfaction in a more general sense, she proposes four different types of responses to contract violation that are influenced by situational factors and individual predisposition. 'Voice', 'neglect/destruction', 'loyalty/silence' and 'exit' reflect the two dimensions of active-passive and constructive-destructive (table 2.3).

Whilst these studies reveal that perceptions of violation of the psychological contract are a common occurrence, with a potentially negative impact on employee behaviour and attitudes, research in this area is relatively new and not without its limitations. The findings are by no means conclusive.

The first area of concern is methodological and relates to the research samples recruited for these studies. Whilst authors (Rousseau 1994, Turnley and Feldman,

1999, 2000, for example) suggest that situational factors, such as culture and availability of other jobs influence responses to violation, empirical investigations have been confined to specific samples. Therefore, the ways in which these factors influence responses to violation are not fully understood.

Table 2.3 Defining responses to violation (Rousseau, 1994)		
Response to violation	Definition of response	Dimension
<i>Exit</i>	Voluntary termination of relationship. Likely when other potential jobs available and attempts to remedy violated contract have failed	Passive/destructive
<i>Voice</i>	Actions to remedy violation, such as reducing losses or restoring trust through talking, threats and changes in behaviour. Exit may follow soon after a voice channel failure	Active/constructive
<i>Loyalty/silence</i>	A form of non-response, which serves to perpetuate the existing relationship. It reflects a willingness to endure or accept unfavourable circumstances because no voice channels and no alternative employment opportunities available. Can imply pessimism - believing no alternative, or loyalty - optimistically waiting for conditions to improve.	Passive/ constructive
<i>Neglect/destruction</i>	Complex form of response, which entails passive negligence or active destruction. Likely when history of conflict, mistrust and violation, no voice channels or other employees demonstrate neglect or destruction	Active/destructive

There is a propensity for researchers, especially in the US (for example, Rousseau and colleagues) to recruit MBA graduates. Other researchers have recruited a specific group such as expatriates (Guzzo and Noonan, 1994) or managers (Turnley and Feldman, 1999, 2000). Some researchers have focused on a particular industry or sector, such as finance or banking (Rajan, 1997, 1999). This has significant implications for the findings and raises the question of how representative they are of the entire workforce.

It is argued that MBA graduates, managers and expatriates represent a distinctive group. They might have higher career aspirations and expectations than the workforce as a whole and a relatively short tenure (Robinson and Rousseau, 1994). As such, they may be more likely than other employees to perceive their contracts as violated. Furthermore, their skills are often in demand and organisations are keen to retain them (Rajan, 1999). Thus, they might be in a better position to challenge organisations that violate their psychological contract. Given their marketability they are better placed than their less qualified, less mobile counterparts to find alternative employment if organisations are unresponsive to their requests. Not all employees (especially those in declining industries or where skills are in plentiful supply) are in such a strong position to react to contract violation in the ways that some researchers suggest. As regards research within a particular industry, Rajan (1997) for example, suggests that finance and IT industries have invested heavily in promoting and gaining acceptance of the new psychological contract. Therefore employee responses reported in these studies might not be representative industries not making the same investments.

The second issue is a definitional one and concerns the ways in which 'violation' has been interpreted by researchers and subsequently, their research samples. This has strong implications for how the findings are interpreted in publications. On the one hand violation has been defined, particularly in empirical studies, as 'the perception that one's organisation has failed to fulfil one or more obligations composing one's psychological contract' (Robinson and Morrison, 1995; Robinson and Rousseau, 1994). As suggested by Morrison and Robinson (1997: 230) this definition implies that violation is cognitive, reflecting a mental calculation of what one has received relative to what one was promised.

Other studies describe violation as 'the feelings of anger and betrayal that are often experienced when an employee believes that the organisation has failed to fulfil one or more of its obligations' (Rousseau, 1996). And some of the earlier studies have defined it as 'feelings of betrayal and deep psychological distress whereby the victim experiences anger, resentment, a sense of injustice and wrongful harm (Rousseau, 1989; 129). Under these two definitions, especially the latter, psychological contract violation is interpreted in an entirely different way than that which suggests that it a

mental calculation of what is received relative to what was promised. 'Betrayal', 'deep psychological distress' and 'victim' imply that the organisation has indeed committed a wrongful act. It is suggested that writers on psychological contract violation might not be referring to it in this context, but the distinction between 'cognition' and 'emotion' is not always clear.

Morrison and Robinson (1997) argue that feelings of violation are distinct from the cognitive evaluations that underlie them and that a complex interpretation process intercedes the two. Empirical research often fails to distinguish between the cognitive and emotional elements of violation and how one leads to the other. Morrison and Robinson (1997) argue that it is of both practical and theoretical importance to understand how psychological contract violation develops. They have developed a conceptual model outlining the cognitive sensemaking processes and conditions that determine whether perceived breach (cognition) develops into perceived violation (the emotional and affective state). Whilst this is a useful model, which has been influential in more recent studies, and researchers are more careful to make the distinction between cognition and emotion, the model as it stands has not been empirically tested. That there is no consistency between studies in how violation has been interpreted makes it difficult to compare the findings across different studies.

Finally, violation studies have not focused specifically on organisation change, they tend to look at how violation occurs within the context of everyday organisation life.

Psychological contract as a framework for understanding change

Empirical and theoretical studies reviewed thus far have been useful in showing:

- How continuous changes have impacted on the psychological contract;
- A relationship between the psychological contract and behaviour and attitudes;
- How psychological contracts change;
- How perceptions of breach or violation can occur and the ways in which employees might respond to violation.

Nevertheless, existing research does not offer solutions to some of the change implementation problems. For example, how does management gain the commitment and trust of employees, if, as some research evidence suggests, organisations can no longer offer the traditional rewards? How might resistance to change be overcome? How can organisations help employees accept and adjust to change and its impact on the psychological contract? It is argued that some researchers and HR practitioners are too hasty in suggesting that the psychological contract can be managed. We still have much to learn about its significance and the role that it plays in organisation life. We need to develop a better understanding of why and how it is affected by organisation change. In understanding these issues, it might provide a better opportunity for organisations to manage change more effectively to enable employees to accept and adjust to changes in the psychological contract and their work environment.

Thus, a further aim of this study is to investigate how a specific change initiative might affect the psychological contract and how that might determine behavioural and attitudinal responses. An investigation into whether or not change results in perceptions of violation would not be the best means of obtaining this type of information. This research does not assume that organisation change results in perceptions of breach or violation of the psychological contract. Nor does it assume that there is a transformation of the psychological contract. Research at Loamshire Constabulary, one of the case study organisations reveals that change did not affect the psychological contract at all. Nevertheless, there are similarities between the violation model proposed by Morrison and Robinson (1997) and model of change proposed in this study; they both describe the process in terms of cognitive interpretation or appraisal.

How might change affect the psychological contract?

This study conceptualises the psychological contract in terms of its cognitive function in providing predictability, stability, security and control. It also considers in terms of employees' perception of the degree of balance between inputs and

rewards. It is argued that both influence perceptions of the psychological contract and as such they will be closely related to a number of employee and organisation outcome measures such as, job satisfaction, stress, commitment, OCB and turnover intentions.

The proposed model of change (illustrated and discussed in more detail later in the chapter) suggests that organisation change may pose as a threat to the psychological contract, which can potentially trigger a cognitive appraisal process through which it is re-appraised (as opposed to transformed). The outcome of which, might influence behaviour and attitudes. In adopting this approach to studying change, this study does not aim to identify specific aspects of the psychological contract that organisations fail to fulfil; it focuses on the general form or pattern in the relationship.

Theories, upon which these proposals are based, are now discussed. The discussion draws on theories associated with the psychological contract such as social exchange theory (Blau, 1964) and equity theory (Adams, 1965) and it draws on insights from schema change (Sims and Gioia, 1986) cognitive dissonance theory (Festinger, 1957) and theories of organisation justice (Bies and Moag, 1986; Greenberg, 1990b). It is argued that a return to some of these 'older' theories might provide a better understanding of employees' experience of organisation change.

For the sake of clarity, the effects of change on predictability and control and degree of balance are discussed separately, although in reality they may be intertwined.

Psychological contract conceptualised cognitively

As suggested earlier the psychological contract is a mental model, or schema, which people use to frame events or to interpret their world. Employees rely upon schemas to make sense out of the many complex events taking place in organisations and generate appropriate behaviours (Rousseau, 1995). They serve as means of predicting what will happen in the employment relationship. Thus, in a stable work environment the psychological contract provides employees with a degree of

stability, predictability, security and control (Rousseau, 1990). Cognitive psychology helps understand why this should be so.

A schema is 'a cognitive structure composed of a network of expectations learned from experience and stored in memory' (Gioia, 1978: 55) which describes the appropriate sequence of events in a given situation (Abelson, 1981). Schemas help people to simplify and effectively manage information in the complex task and social environments characteristic of applied settings (Lord and Foti; 1978: 22). Simply stated, they provide a basis for the interpretation of information, events, and actions (Gioia and Sims, 1978).

The interrelated, ordered nature of schemas enables shortcuts to be taken during cognitive work. For instance, when a manager conducts a strategy meeting, neither the stages in the meeting nor the steps in the strategic decision-making process need be carefully thought out beforehand. The sequence and patterning of events is already known and stored in memory in the form of a scripted understanding. Schemas and scripts help people in organisations to construct definitions of organisational reality that serve as vehicles for understanding and action. Thus, they are the primary organisational sensemaking devices. Sims and Gioia (1986: 346) suggests that schemas have many benefits: mutual understanding; order and predictability; cues to help people interpret ambiguous situations; speedy information processing and problem solving; and the supply of missing information with default options.

- *Formations of schemas*

To fully appreciate the role of cognitive schemas and how they might be affected by change, it is necessary to distinguish between two forms of information processing: controlled and automatic. Controlled processes are activated when we think about a task and explicitly plan how it should be done. We are likely to engage in controlled information processing when encountering a new or complex situation. Controlled processing places heavy demands on our limited capacity to pay attention and is very sensitive to cognitive overload (Shiffrin and Schneider, 1977).

Automatic processes, on the other hand, demand less attention, can be applied to several activities simultaneously and are virtually unaffected by cognitive overload. They are difficult to alter, suppress, or ignore once learned (Lord and Foti, 1978: 21). For example, once employees become familiar with a particular system or procedure, they will carry out tasks almost automatically. Thus, as schemas for a particular activity or situation develop, it enables us to switch from controlled processing to automatic processing.

On joining an organisation, new employees need situation or culture specific interpretation schemas in order to make sense of the new environment and to respond with meaningful and appropriate behaviour. In learning the new culture, they develop a definition of the situation, a schema for interpreting everyday events in that setting (Louis, 1980). According to Gioia (1978) people in organisations are engaged in ongoing attempts to understand what is going on around them.

Although schemas might sound like abstract notions with questionable relevance to everyday jobs, according to Gioia and Sims:

'There is strong and rapidly accumulating evidence that everybody categorises and uses schemas to some significant degree to cognitively organise his or her experience' (1978: 10).

The benefits of relying on schemas are that cognitive capacity is conserved so that it can be allocated to other tasks. As such, an individual's social world seems more predictable than it may actually be, and social interactions produce less mental strain and anxiety. What is crucial, according to Lord and Foti (1979) is that the use of generic schemas allows one to easily form expectations about future behaviours.

Although schema development has not been explored extensively, some principles are clear. They are built from experience with relevant instances, and they become more abstract, more complex and more organised with experience (Fiske and Taylor, 1984). According to Lord and Foti (1979: 33), 'The schemas of experts contain more characteristics than the schemas of novices, and mature schemas also become more organised and contain more information and possibly a more efficient hierarchy'. This might explain why, as found in the pilot study, it is more difficult

for long serving employees to accept and adapt to change. This issue will be explored in this thesis.

From the above explanation of schema development and the role they play in our lives, it becomes clearer how they form the basis of the psychological contract and why they provide a degree of predictability, security and a sense of control.

- *Effects of organisation change on schemas*

Cognitive dissonance theory (Festinger, 1957) is useful in understanding more about the effects of organization change on schemas and how employees might react. The theory provides an insight into the micro processes of the transition from one state of cognitive consistency to another and in the context of this study, a re-appraisal of the psychological contract.

Rousseau (1996, 2001) claims that whilst schemas have benefits, because they are reflections of the past, they come at a cost. Reliance on them simplifies information processing, but it also makes generic schema (such expectations of the work environment) resistant to change. Evidence suggests (Lord and Foti, 1986) that whilst employees realise that changes in their environment have occurred, it is somewhat more difficult to change schemas. According to Lord and Foti, schemas can be so robust that they persist even when people are informed that the evidence in support of them is false.

'Known as the perseverance effect, this resistance represents a major feature of schemas: they often persist stubbornly even in the face of contradictory evidence' (Fiske and Taylor, 1984: cited in Lord and Foti, 1986: 32).

For example, although employees might be aware that their positions have changed or that they are no longer guaranteed job security, their existing schemas or beliefs, at least initially, may remained unchanged. They might remain attached to previous ways of working or they may still expect a secure job.

As long as predicted outcomes occur (are consistent with schemas), employees make assumptions about their organisational world and thinking about everyday events or what might happen in the work environment is not necessary. However, when the

predicted outcomes no longer occur, the individual's cognitive consistency is threatened (Festinger, 1957). Louis claims that:

'The discrepancy between predicted and actual outcomes, that is between expectations and experience, produces a state of tension which acts as a quasi need, unbalancing the equilibrium of the individual's psychological field. The quasi need is for a return to the equilibrium' (1980: 240).

Cognitive dissonance theory (Festinger, 1957), asserts that individuals are distressed by conflicting cognitive elements, such as a discrepancy between empirical evidence and past choice; they experience an adverse state known as cognitive dissonance. This may arise for a number of reasons, including exposure to new information, disagreement with other parties, or because of forced compliance (Kahle, 1984). It is argued here, that if because of change, schemas are no longer consistent with actual events, it can represent a threat to employees' sense of 'predictability and control' and their organisation world becomes less certain. This might explain why employees perceive change as a threat, experience stress and feel insecure in their employment and why they perceive it as a challenge to their security and control. According to Rousseau:

'The losses that people incur as a result of change begin to surface with the loss of tangibles such as job security and intangibles such as certainty and predictability. A loss of control and certainty typically accompany changes' (1996: 171).

It is suggested that this inconsistency potentially triggers the cognitive appraisal process proposed in the model

- *Search for cognitive consistency*

Uncertainty and loss of control is anxiety arousing. It is a premise of cognitive dissonance theory that such states motivate individuals to restore cognitive consistency by changing behaviour or the importance of cognition, or adding new cognition. During organisation change, behavioural changes might not be an option; not all employees are suitably placed to challenge organisations, reinstate job security, or continue working with systems or procedures with which they were familiar. This suggests that to restore cognitive consistency, employees will change the importance they attach to the aspects of the psychological contract affected by

change, or schemas will develop or change in line with the new situation. Akerlof and Dickens (1986) considered cognitive dissonance in the labour market. They showed how individuals might adjust beliefs about job uncertainty to reduce dissonance.

It is suggested that when schemas fail, individuals will develop explanations for why the actual outcomes occurred and why the predicted outcomes did not. One of the most common ways in which they can engage in uncertainty reduction is by monitoring for information.

'If we encounter something previously unknown and which therefore stands out of the ordinary order of our knowledge, we begin a process of inquiry. Retrospective explanations help to resolve the tensions by restoring the equilibrium, although in a new configuration ' (Schutz, 1964 cited in Louis, 1978: 239).

Langer (1978) developed a set of conditions under which this process occurs. She proposed that a conscious process of sensemaking occurs, when the outcomes of our acts are inconsistent with anticipated outcomes. According to Rousseau (1996) everyone involved is searching and sensemaking to reduce the emotional losses associated with eroded security, predictability and comprehension of events.

Parallels are drawn here between sensemaking processes for the 'newcomer' (Thomas and Anderson, 1998) and an employee faced with a changed environment. Regardless of an individual's previous socialisation experience, each major role change involves socialisation into the new role (Louis, 1980). In organisations, employees may inquire, observe, and monitor to understand the new psychological contract. Rousseau's (1996) research supports the proposition that there are similarities between newcomers and employees experiencing change. She suggests that individuals are open to new information only at certain times and they gather it only when they think it is needed.

'Two circumstances in which people become open to new information are when they are newcomers to the organisation or when a disruption occurs which they cannot ignore' (1996: 51).

Therefore, understanding changes in the psychological contract and its new terms requires employees to act like 'newcomers', actively seeking information, regardless of their time with the organisation. However, it is suggested that these two groups will be motivated by different needs and thus the information that they attend to will differ. The motivation for new employees is their need to understand the culture, the organisation's way of doing things and to become an accepted member. The motivation for employees encountering change is the need to restore cognitive consistency and understand and accommodate any psychological contract changes, which in this study is discussed in terms of psychological contract re-appraisal.

Organisational justice theories have provided a means of investigating how new schemas might develop to restore an individual's sense of predictability, security and control. However, it is proposed that organisation change might also threaten employees' perception of the degree of balance between their inputs and the rewards they receive. A review of organisations justice literature and how it relates to the evaluation process is therefore delayed. .

Psychological contract and 'degree of balance'

Most definitions of the psychological contract refer to reciprocal or mutual obligations. In the relationship between employer and employee, mutual obligations are the central issue: it is essentially an exchange relationship (Anderson and Schalk, 1998: 637). Social exchange theory (Blau, 1964) argues that feelings of obligation are created when people are recipients of beneficence. In order to discharge the obligation created by beneficial acts, the recipient must then repay the debt to the benefit in ways which are beneficial to the donor. However, it is not always clear when or in what form the beneficial act will be reciprocated.

Individuals and groups are interested in maintaining a balance between what is given and what is received and staying out of debt in their social transactions, hence the strain towards reciprocity. Therefore, an employee's decision to fulfil their (perceived) obligations to the organisation will be based upon the degree to which

they perceive the exchange relationship between themselves and the organisation as equal or balanced. Anderson and Schalk (1998) suggest that:

'An employee weighs his or her obligations towards the organisation against the obligations of the organisation towards them as an employee and adjusts behaviour on the basis of critical outcomes' (1998: 640).

For example, if employees perceive that the organisation treats them fairly, respects their efforts and rewards them justly, they will feel obligated to reciprocate by working hard and avoiding harming the organisation (Gouldner, 1960). According to Pascale (1995), in stable conditions, the psychological contract is reinforced by repeated contributions and reciprocity over time and there is convergence between employer and employee concerning their understanding of the nature of the contract. And an employee's perception of what the organisation offers them is in balance with their perception of what he or she offers the organisation.

A history of beneficial acts by both parties contributes to broad open-ended agreements typified by high levels of exchange, which strengthens the psychological contract (Shore and Barksdale, 1998: 733). The greater the degree of perceived mutual obligation, the stronger the social exchange relationship and the greater the likelihood that both the employee and the organisation will benefit because each party to is likely to continue to contribute to a (mutually) beneficial relationship (Shore and Shore, 1995). The positive and general sides of reciprocity have considerable social value: if people fulfil each other's expectations, everyone is well served.

Theoretical and empirical research that investigates this aspect of the psychological contract tends to focus on the extent to which the employee perceives the organization as fulfilling its obligations. This study employs the term 'degree of balance' which refers to employees' perception of the balance between their inputs or efforts and the rewards they receive. Whilst employees might perceive that obligations have not been fulfilled, if the 'terms' of a new psychological contract are acceptable, it may still be perceived as balanced.

Shore and Barksdale (1998) investigated the general pattern of exchange in terms of balance and level of obligation between employer and employee as perceived by the employee. They suggest that in a balanced relationship employer and employee are perceived to be similarly obligated in the exchange, whereas in an unbalanced relationship, one party is perceived to be substantially more obligated to the exchange than the other party. They also examined the link between four types of exchange relationships and several criteria including perceived organisational support, affective commitment, turnover intentions and career future, finding support for a relationship between perceived balance and these outcome variables. Similarly, high affective commitment and low turnover intentions have been viewed as a means by which the employee can repay the employer for obligations created by treating them well (Shore and Wayne, 1993; Rousseau and Parks, 1993). These outcome measures can be seen as a way of paying (or not paying) the organisation back for fulfilling its obligations. In other words, their way of reciprocating for the benefits received.

- *Change and 'degree of balance'*

Robinson et al (1994) found changes in perceived obligations over time, which suggests that employees' perceptions are influenced by the employment experience. In the same way that Rousseau described how experience alters schemas, there is a fluctuation between certain boundaries in the balance of exchange without the need to revise the content of the psychological contract. However, when perceptions about what the organisation offers comes outside the boundaries of what is considered appropriate, either the psychological contract is revised, creating a new contract with different boundaries and content, or the contract is abandoned (Anderson and Schalk, 1998: 645).

Research evidence presented earlier in this chapter suggested that change can result in violation of the psychological contract. Researchers claim that organisational characteristics, such as violation of agreements might contribute to a perceived unbalanced exchange (Robinson, 1996; Shore and Tetrick, 1994). In this research, it is proposed that organisation change does not necessarily result in perceptions of violation, however it might alter an employee's perception of the degree of balance between inputs and rewards.

For example, change initiatives could necessitate an employee increasing his or her contribution to work, such as working more hours, or learning to work with new technology and they may not be offered additional rewards as compensation. Davidson (1994) described employees' responses to change where they were asked to do more for less:

'Employees resented being asked to work more intensively and across functions without any additional reward for doing so' (cited in Folger and Skarlicki, 1999: 4).

Folger and Skarlicki (1999) propose that employees feel threatened particularly when they see change as imposing hardship or loss. Referent cognitions theory (Folger, 1993) describe this in terms of a situation where employees are asked to provide greater input for the same, or even lesser reward, relative to their previous working conditions. In terms of referent cognitions theory, Folger stated the past serves as a referent for current expectations and people refer to cognitive standards for evaluating certain levels of treatment, which in turn determines their level of satisfaction or dissatisfaction with a given outcome. When the outcome falls short of the cognitive standard (such as what employees expected or felt the organisation was obligated to provide before organisation change), they can experience a sense of deprivation or aversiveness. Folger and Skarlicki (1999) suggest that some initial sense of inequity seems to be a logical result from having to work harder - adjusting to changing conditions - without necessarily receiving additional rewards. Blau (1964) argues that perceptions of a lack of balance might lead to negative consequences: disappointment and distrust may develop. According to Anderson and Schalk (1998):

'At the core of the change may be the re-evaluation downwards by the employee of what they owe the organisation relative to what it owes them' (1998: 644)

Adams (1965) conceptualised the experience as similar to dissonance in motivational properties: an aversive experience occurs initially, but the motivation to reduce it leads to a subsequent state of resolution. For example, the aversiveness of perceived underpay might be resolved behaviourally or psychologically. Adam's assertion is consistent with social exchange theory (Blau, 1964), which suggests that

participants in the relationship will try to maintain a degree of balance between inputs and rewards either by changing behaviours or changing perceptions about work. The first approach corresponds with behavioural actions that include attacks on injustice, such as to right a wrong. Employees who perceive the organisation as not fulfilling its obligations might respond to the lack of balance by seeking an alternative means of restoring balance; they might reduce their obligations by withdrawing effort (Shore and Tetrick, 1994; Robinson et al, 1994). However, as suggested earlier, when discussing the effects of change on 'predictability and control', behavioural responses such as withdrawing effort (which Rousseau refers to as neglect), challenging the organisation (voice) or leaving the organisation (exit) might not be appropriate or viable options for some employees.

The second approach refers to altering one's perception (as in developing a new schema) and adopting a different reference point. In the context of this research, it is suggested that if behavioural options are unavailable or unrealistic, altering one's perception of organisation change and its implications, reduces the feelings of inequity. It is proposed that an evaluation of 'change implementation', which relates to perceptions of fairness, (described in more detail below) provides employees the opportunity to re-appraise and possibly change their perceptions of the degree of balance between inputs and rewards.

This proposal is supported by research by Baron et al (1996) who found that organisation change is related to a heightened sensitivity about fairness and Brockner et al (1987) found that fairness perceptions determined 'survivors' reactions to layoffs. In this study, it is suggested that if employees accept the rationale for change and they perceive its consequences and implementation procedures as fair, they are more likely to perceive the exchange as balanced, even if the demands, relative to the rewards have changed. For example, employees asked to work annualised hours without any compensation for doing so, might adjust their perceptions and perceive the exchange as balanced if they believe it was necessary and the organisation took steps to ensure that they were treated with fairness and respect.

The following section discusses theories of organisational justice, which support the

suggestion that employees might engage in this evaluation process.

Theories of organisational justice

Organisational justice is the term used to describe the role of fairness as it directly relates to the workplace (Folger and Skarlicki, 1999; Greenberg, 1990a; Moorman, 1991). It has been defined as:

'The ways in which employees determine if they have been treated fairly in their jobs and the ways in which those determinations influence other work related variables' (Moorman, 1991:845).

Research shows that if employees feel that they have been fairly treated, they will be more likely to hold positive attitudes about their work, the outcomes and their supervisors. Research by Adams (1965) and more recently by Greenberg (1988a) has shown that employee job performance may increase or decrease in relation to perceptions of justice.

Previous research has identified three different types of organisational justice: distributive, procedural and interactional. These correspond to the different dimensions of 'change implementation', although, procedural and interactional justice are more relevant to this research than distributive justice.

Based on Homans' (1961) theory of social exchange, distributive justice refers to perceived fairness of distribution of rewards (Greenberg & Cohen, 1982). In work settings people expect to be rewarded in proportion to their contributions. The 'Distributive Justice Index' (Price and Mueller, 1986) was developed to measure the degree to which rewards received by employees are perceived to be related to their performance inputs. Whilst this study is interested in employees' perceptions of fairness of the outcome or consequences of the change, it is also concerned with assessing other issues, such as whether they accept the rationale for change and whether they believed that all of the available options were explored. As such, the Distributive Justice Index was not appropriate for gathering this type of information and a new scale was developed to investigate employees' attitudes towards this

aspect of 'change implementation'. (Details presented in chapter 4)

Procedural justice relates to perceived fairness of the policies and procedures used as the basis for making decisions about outcome distributions (Greenberg 1990b; Tyler and Bies, 1990). Satisfaction with the organisation, as shown by commitment, for example, is related to perceptions of procedural justice (Folger and Skarlicki, 1999). Studies have shown (Blancero et al, 1976) that perceptions of a fair process can mediate perceptions of a low or unfair outcome. If people are satisfied with the outcome, they ignore the process, but when faced with a perceived unfair or an unfavourable outcome, they tend to evaluate the process.

Leventhal et al, (1980) identified six rules to identify fairness procedures. They suggest that:

'A company's procedures are fair to the degree that the decision-making processes demonstrate: consistency, bias suppression, accuracy, correctability, representativeness, and ethicality' (cited in Folger and Skarlicki, 1999: 38)

More recently, a social dimension has been added: fair procedures also require the use of adequate explanations of procedures.

Procedural justice research has been applied directly to studies of organisational change. Researchers have suggested that resistance to change may be due partly to the perceived neglect of procedural justice: not granting employees involvement in determining decisions about change (Brockner, 1988; Greenberg, 1987). Cropanzano and Folger (1989) found that when the procedures were perceived as unfair then feelings of resentment were likely, which became manifested in resistance to change. Evidence suggests that informative and sensitive explanations of procedures tend to minimise negative reactions to adverse outcomes such as layoffs and pay cuts (Greenberg, 1990). Furthermore, perceptions of fairness are enhanced by the use of the procedures that give employees a voice in the decision-making process (Folger and Greenberg, 1985). In summary, previous investigations suggest that employees are more likely to accept change, even when the outcome is unfavourable, if they perceive the procedures as fair (Cobb et al, 1995).

Interactional justice is concerned with perceptions of the quality of treatment during the enactment of organisational procedures (Bies, 1986). It is concerned with social sensitivity, such as treating employees with dignity and respect, listening to their concerns, providing adequate explanation for decisions and demonstrating empathy. Providing explanations to employees, in an honest but sensitive manner has been shown to contribute to their perceptions of interactional justice because those who are affected by change feel that they have been treated with dignity and respect (Greenberg, 1990). Folger and Skarlicki claim that:

'As organisations continue to change, and as they are unable to offer the traditional rewards, people will judge the changes according to implications for human dignity' (1999: 9)

Mikula et al (1990, cited in Folger and Skarlicki, 1998) found that employees were more concerned with interactional justice than either distributive or procedural justice. However, Folger and Skarlicki (1998) found that there was an interaction between the three types of justice and organisational retaliation behaviour. They suggest that fairness of one form of justice can be offset and futile in the presence of unfairness in another form. Furthermore, they argue that research is misguided in trying to determine which of the three types of justice accounts for the greater variance in organisational outcomes. Thus, if managers attempt to create a fair workplace by focusing on only one form of justice whilst ignoring the other two, their success at reducing any negative consequences associated with change may be limited. Skarlicki and Latham (1996) found that training managers in organisational justice principles increased employees' perception of fairness and resulted in increased organisational citizenship behaviour. At ABB Vetco Gray Inc, management concentrated on all three forms of justice during a downsizing programme and it was found that despite the layoffs and restructuring, employee satisfaction and performance increased (Kilbourne et al 1997).

Findings from these types of studies indicate that justice research has much to offer academics in understanding the complex change process and managers who are undertaking the challenge of implementing it. Fairness principles provide the opportunity to mitigate some of the adverse consequences of change (Cobb et al,

1995; Folger and Skarlicki, 1998). Nevertheless, whilst researchers have shown a relationship between organisational justice (perceptions of fairness) and a number of outcome measures, such as commitment, organisational citizenship behaviour and intention to remain (Folger and Greenberg, 1985; Greenberg, 1990b:), rarely is it within the context of organisation change and its effects on the psychological. It is suggested that theories of organisational justice would provide a useful means of investigating how employees perceive change and the processes and procedures adopted for its implementation. It is proposed that there might be a relationship between perceptions of fairness in relation to 'change implementation' and a re-appraisal of the psychological contract. Organisations that address fairness issues by providing information, involving employees in the change process and treating them with respect, provide an opportunity for them to accept and adjust to changes in the psychological contract. The following section outlines the entire process of change, as illustrated in the model (figure 2.2), locating the role of organisational justice within that process. It describes how perceptions of justice in relation to 'change implementation' represents a mechanism for sensemaking or understanding change and for restoring cognitive consistency.

Proposed model of the process of change

Following a review of different strands of literature, it is proposed that employees' behavioural and attitudinal responses to change are potentially influenced by the outcome of a relatively complex cognitive evaluation and appraisal process.

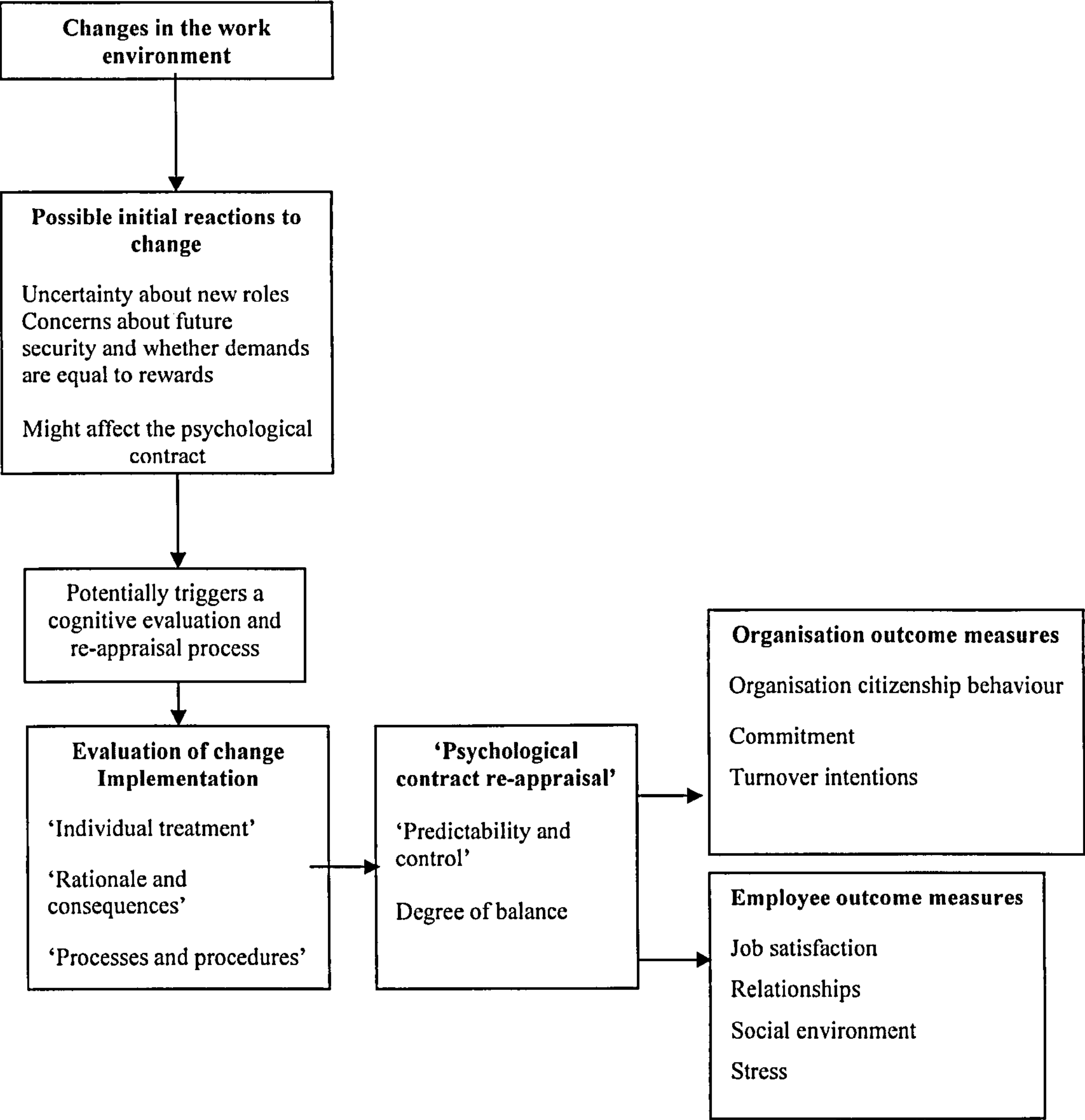


Figure 2.2: Model of process of change

Synthesis of the literatures discussed in this chapter provided a useful means of first, developing a model (figure 2.2) which is thought to reflect the process of change, and second, of guiding empirical research to test the model's utility or the extent to which it reflects employees' experience. Each part of this model and the

relationships within it were discussed as this chapter unfolded, with reference to the relevant supporting literature. The aims of this final section are to summarise the main points of the literature review and present an overview of the entire proposed process of change.

A number of terms have been adopted for this study; these are defined in table 2.4.

Table 2.4 Definition of terms	
‘Change implementation’	The collective term employed to describe the stage in the change process whereby three factors (‘rationale and consequences’, processes and procedures, and individual treatment) are evaluated.
<i>‘Rationale and consequences’</i>	The extent to which employees feel that they understand the reasons why the change initiative was introduced. The extent to which they are satisfied with the outcome.
<i>‘Processes and procedures’</i>	The extent to which organisations are perceived to employ fair processes and procedures for implementing change, such as provision of adequate information and opportunities for employees to offer ideas and express their concerns.
<i>‘Individual treatment’</i>	The extent to which organisations are perceived to address employees’ needs through treating them with fairness and respect during the implementation of change
‘Psychological contract re-appraisal’	The collective term employed to describe the stage in the change process whereby two factors (‘predictability and control’, and ‘degree of balance’) are reconsidered or re-appraised in light of an evaluation of ‘change implementation’.
<i>‘Predictability and control’</i>	The extent to which the psychological contract provides a means of interpreting and to an extent predicting the organisational world, thus, reducing uncertainty and providing a greater sense of security, order, continuity and a degree of control.
<i>‘Degree of balance’</i>	The extent to which employees perceive the balance between their inputs or investments and the rewards or benefits they receive as equal.

Summary of psychological contract research

Psychological contract research (For example, Blancero, 1997; Guest, 1996, 1997; Herriot et al, 1997; Herriot and Pemberton, 1996; Hiltrop, 1995; and Rousseau, 1996 Sparrow, 1996) suggests that widespread change of the last ten to fifteen years, such as downsizing, restructuring and introduction of new technology, have brought about some general changes in the psychological contract. Job security and a definitive career structure are less likely to be perceived as elements of psychological contracts. The notion of employability, (Pascale, 1995) has been proposed as a mechanism, or a means of compensating for the loss of traditional rewards and for enabling employees to adapt to changes in working patterns. Employability is a concept that is currently in vogue within HRM, especially amongst practitioners. It underpins a number of HR initiatives and one of the underlying messages of practitioner discourse is that 'employees are now responsible for managing their own career'. However, there is a debate amongst researchers and practitioners as to whether in practice, this has turned into anything meaningful. Research evidence (for example, Ebadan and Winstanley, 1997; Stevens, 1995) indicates that some employees experience difficulty in accepting and adapting to changes in the work environment and would prefer to retain elements of what Sparrow (1996) terms the 'old' psychological contract. In other words, employability is merely part of organisation rhetoric. Guest et al argue that in many organisations, the old psychological based on traditional rewards is 'still alive and surprisingly well'. This study will investigate whether and in what ways the psychological contract might have changed, and it will also address the employability debate.

Some researchers argue that organisation change can result in perceptions of psychological contract breach or violation. Robinson and Rousseau (1994) propose that violation of the psychological contract is becoming the norm rather than the exception. Researchers in this area have suggested that perceptions of violation can lead to behavioural and attitudinal changes which are detrimental to organisational success. The methodological limitations of these studies were discussed.

It was argued that psychological contract research has proved useful for understanding more about organisation change and the general changes in the employment relationship, but it is limited and overlooks some fundamental issues. Investigations in this study focus on the significance of predictability, security and control, desire for balance between inputs and rewards, and perceptions of fairness in (potentially) bringing about a re-appraisal of the psychological contract. In utilising theories associated with the concept (such as equity theory, Adams, 1965; social exchange theory, Blau, 1964; cognitive dissonance theory, Festinger, 1957; and schema theory, Sims and Gioia, 1986), a model of change was developed as a framework within which to carry out empirical investigations. Theoretical publications frequently refer to these theories, and Rousseau in particular discusses the psychological contract in cognitive terms. However, in empirical investigations the theoretical underpinnings are generally discussed in the introduction but, they do not influence the collection, analysis and interpretation of data.

Outline of the proposed model of change

Change can affect the psychological contract

The model proposes that change might influence employees' sense of predictability, security and control within their work environment and their perceptions of degree of balance between inputs and rewards. Due to the robustness of schemas (Fiske and Taylor, 19984), the existing psychological contract might be inconsistent with what the changed working environment represents; employees may no longer be able to predict their organisational world. Cognitive dissonance theory asserts that when schemas are inconsistent with behaviours, individuals experience an aversive state of dissonance. Perceptions of lack of balance in the relationship will also cause feelings of tension and probably distrust (Adams, 1965; Folger and Skarlicki, 1999).

Potentially triggers a cognitive evaluation process

According to cognitive dissonance theory (Festinger, 1957) employees will be motivated to resolve feelings of tension and conflict (dissonance) by changing

behaviour or their perceptions. Social exchange theory, (Blau, 1964) asserts that there is a pull towards reciprocity and employees will try to maintain a balance between inputs and rewards. Employees will reinstate balance either by changing behaviour or changing their perceptions of work (Adams, 1965). Whilst the implications of change may be unfavourable, some employees might not have the option to change their behaviour. Therefore, to restore cognitive consistency they may change their perception of the work environment, by changing the importance they attach to aspects of the psychological contract, or they add new cognition through developing new schemas that are more in line with the changed environment. At such times, employees will be more receptive to information as a means of sensemaking and thus reducing the dissonance. It is suggested that this information might be in the form of an evaluation (of the degree of fairness or justice) of three main factors related to 'change implementation'.

Evaluation of 'change implementation'

Based upon evidence from schema research (Shiffrin and Schneider, 1977), it is suggested that when faced with an unfamiliar environment, the individual switches from a cognitive process, which is automatic (the process employed in a familiar environment), to one, which is controlled, or conscious. Researchers support this in suggesting that when faced with an unfamiliar environment, individuals are receptive to information and they engage in a process of sensemaking similar to that of the newcomer. However, unlike the newcomer who tries to make sense of the organisation for the first time, it is proposed that employees encountering organisation change will be concerned with issues of fairness or justice in relation to its outcome, the processes and procedures of implementation and how they were treated.

Organisation justice research has been useful in highlighting the relationship between fairness perceptions and outcome measures. As researchers point out, employees are not only concerned with the consequences of a decision but also the basis upon which decisions are made and whether they were treated with dignity and respect. In the context of this research an evaluation of justice or fairness refers to the extent to which employees:

- Understand the rationale and are satisfied with the consequences of change;
- Perceive the basis upon which the outcome decisions were made and the processes and procedures for implementation as fair (*procedural justice*);
- Believe that individuals were treated with respect, fairness and dignity (*interactional justice*).

'Psychological contract re-appraisal'

The model suggests that the outcome of this evaluation process might bring about a re-appraisal of the psychological contract, thus influencing employees' perception of predictability and control' and 'degree of balance'. Perceptions of fairness (of all three aspects of 'change implementation') could potentially reduce the dissonance between schemas representing the psychological contract before the change and the changed work environment. Schemas are developed through experience. Therefore if employees feel part of the change process, they will experience the change as it unfolds. Like the newcomer who is receptive to information about their new environment, new schemas will emerge that are more consistent with the new environment and the function of the psychological contract in providing a degree of predictability, security and control is more likely to be perceived favourably. Finally, if change implementation is evaluated favourably, the psychological contract is more likely to be perceived as balanced, even when the basis of the exchange has altered.

In summary, an evaluation of the processes and procedures of change and the consequences is the mechanism through which new schemas may develop and the changes in the psychological contract are more readily accepted.

Organisation and employee outcome measures

Both organisational and employee outcome measures, in the form of behavioural and attitudinal responses represent the final part of the model. The measures included in this study (see chapter 3) have been identified in previous studies (and

the pilot study) as factors that can be affected by change, and as those influenced by employees' perception of the psychological contract. It is proposed that these measures could be influenced by the outcome of 'psychological contract re-appraisal'.

Having discussed the theories that relate to the aims of this thesis, attention is now turned to the empirical investigations and the methods of research that were employed.

However, as a final word, the model in the format it is presented, would suggest a series of causal relationships and that employees' experience of change, how they make sense of it and react to it, is a straightforward linear process. Whilst the studies discussed in the literature might lend some support for this cognitive, sensemaking process of change, this study is in fact suggesting three main hypotheses. In other words, it is *not* implied here that this is a linear, straightforward process. It is acknowledged that there will be many other factors that influence employees' perception and experience of change, a number of which are highlighted in the following chapters.

Hypothesis 1

Change management will be positively related to an employees' perception of 'psychological contract re-appraisal'.

Hypothesis 2

'Psychological contract re-appraisal' will be positively related to employee measures: job satisfaction, social environment, relationships and stress.

Hypothesis 3

Psychological contract re-appraisal will be positively related to organisation measures: commitment, turnover intentions and organisation citizenship behaviours

Chapter 3

Methodological choices: positivism, constructivism or mixed methodologies?

‘During the past three decades, several debates or wars have raged in the social or behavioural sciences regarding the superiority of one or the other of the two major social science paradigms or models. These are known alternately as the positivist or the constructivist orientation’. (Guba and Lincoln, 1990, *cited in Tashakkori and Teddlie, 1998*)

Introduction

The purpose of this chapter is to describe the methods of investigation employed in this study and to provide justification for combining different approaches to research.

In previous chapters, it was argued that psychological contract research has overlooked some important issues. From a methodological perspective, it might be criticised for employing limited methods of research: there is a tendency to employ quantitative methods and qualitative methods have generally been ignored. For example, investigations have focused on measuring its content or state, how it might be changing, identifying factors that influence breach or violation and searching for causal links between the psychological contract and various outcome measures. Such research objectives have influenced the methods of investigation. Many researchers are preoccupied with generating findings, which give scientific credibility to the concept and they have developed research instruments to measure its content or state and/or how it influences employee behaviour and attitudes. Typically, they employ surveys where data are gathered through questionnaires with fixed choice responses. Focus groups and interviews are sometimes employed, but the categories or themes under which the findings are reported are generally pre-determined. For example, during large-scale surveys (Guest, 1996, 2000; Kessler and Undy, 1996), data were gathered through telephone interviews. However, interviewees indicated which response category best represented their views. Open-ended questions, where respondents are free to express their views, are generally

only a minor part of investigations. There are few empirical studies which use unstructured methods and which allow categories or themes to emerge.

It is acknowledged that there are many advantages to the survey method. Indeed in this study, the ‘organization change survey’ represents a major part of the investigations. Nevertheless, structured questionnaires with only fixed choice responses are limited in the issues they can explore and researchers that set out with a pre-determined agenda could be overlooking some important findings simply because they that were not anticipated. It is argued in this chapter that there are numerous advantages to combining methods of investigation and in this study, both qualitative and quantitative methods are employed.

Chapter outline

The first section puts forward an argument in favour of adopting a methodological approach which fits the overall research aims set out in chapters one and two. It begins by discussing the main arguments surrounding the quantitative (or positivist) versus qualitative (or constructivist) debate. It addresses the questions of whether these two approaches should be viewed as being bound to different paradigms or merely different methods of investigation. Can and should different methods be combined in one study? To answer these, the philosophical principles underpinning the positivist and constructivist paradigms are presented. Arguments are then put forward, within the context of this research project, favouring the use of whatever method(s) best answers the research question(s) and for combining quantitative and qualitative methods.

The following section presents details of the research design and research sequence. The chapter then describes how the ‘organisation change survey’ was developed and the final section is concerned with the procedures that were followed during the main research phase. This section provides some background information for the two case studies, describing some of the events that led to the changes that are the focus of this study. It provides details of the semi-structured interviews, the distribution of the organisation change survey and the structured follow up

interviews. The suitability of each method, including its advantages and limitations, are addressed throughout.

Choice of methods: technical or epistemological?

A choice facing any researcher when conducting empirical investigations, is which method (or methods) to employ. The superiority of quantitative over qualitative methods, and vice versa, has been debated, and at times argued vociferously between researchers in the social and behavioural sciences. The decision (of which method) is complicated further, dependent on whether that decision is regarded as a technical or an epistemological one. Proponents of the former would argue that the choice of methods should be determined by their suitability to answer research questions; quantitative and qualitative methods are simply different ways of conducting investigations and can, if the researcher chooses, be integrated. From this perspective, they are simply different approaches to data collection and the decision of which one to choose is technical. Proponents of the latter would argue that quantitative and qualitative methodologies encompass more than simply data gathering techniques; they are tied to different epistemological positions, that is, different ways of understanding what constitutes acceptable knowledge. From this perspective, methodology does not concern merely technical issues, such as when to carry out an interview or use a questionnaire. It concerns important conceptual issues about different philosophical, ideological and epistemological assumptions about what should pass as knowledge in the social world and how it ought to be studied.

This debate will be considered later in this section with reference to this study. It is argued that the positivist and constructivist paradigms are not as distinct as some researchers suggest and forcing methods into an either or category can be restrictive. Nevertheless, in order to make such decisions, it is important to understand the substance of the argument amongst those who claim that research methods are tied to different epistemological positions. Attention is now turned to these issues and to

some of the preoccupations of researchers who remain loyal to either the positivist or constructivist paradigm.

To provide an overview of the fundamental issues, which separate the two paradigms, table 3.1 outlines six axioms ascribed by Lincoln and Guba (1985) and Tashakkori and Teddlie (1998) to the positivist and constructivist paradigms.

Table 3.1 Axioms ascribed to positivism and constructivism (Lincoln and Guba, 1985; Tashakkori and Teddlie, 1998)		
	Positivism	Constructivism
<i>Logic</i>	Deductive - emphasis on arguing from the general to the particular, or an emphasis on a priori hypotheses or theory	Inductive - emphasis is on arguing from the particular to the general, or an emphasis on grounded theory
<i>Ontology</i>	There is a single external reality	There are multiple, socially constructed realities
<i>Epistemology</i>	Objective point of view. The knower and the known are independent	Subjective point of view. The knower and the known are inseparable
<i>Roles of value in inquiry</i>	Inquiry is value free	Inquiry is value bound
<i>Generalisations</i>	Time and context free generalisations are possible	Time and context free generalisations are not possible
<i>Causal linkages</i>	There are real causes that are temporally precedent to or simultaneous with effects	All entities simultaneously shaping each other. It is impossible to distinguish causes from effects
<i>Methods of research</i>	Quantitative	Qualitative

Positivism and quantitative research

Positivism has origins dating back to nineteenth century French philosopher August Comte. Although some basic principles underpin the paradigm, Bryman (1989) suggests that it is more useful to think of positivism, and researchers who ascribe to it, as being located on a continuum rather than at the opposite point on a line to constructivism. He claims that:

'A wide range of meanings of positivism is likely to be discerned among authors and even when there is a rough overlap on the basic meaning of the term, authors rarely agree on its essential components' (1989:14).

That being said, a basic assumption is that the methods and procedures of the natural sciences are appropriate to the behavioural and social sciences: knowledge should be based on observable facts. That people think, have feelings, attribute meaning to their environment and appear to be uniquely different from one another in terms of their beliefs and personal characteristics is not an obstacle to the implementation of the scientific method, as long as these phenomena can be rendered observable.

A further assumption is that scientific knowledge is arrived at through the accumulation of verified facts (Bryman, 1989). Quantitative research is often described as having a logical structure in that theories determine the problems which researchers address in the form of hypotheses. The frequent use of the terms independent and dependent variables is evidence of the tendency to seek causal explanations.

Quantitative research design aims to maximise internal validity or the extent to which the presumed cause really does have an impact on the presumed effect Campbell (1957). In addition, researchers want to rule out alternative explanations of causal relationship. The quantitative researcher is preoccupied with generalisation or external validity or the extent to which findings, which may be internally valid, can be generalised beyond the current findings and beyond the confines of the research location. Consequently, researchers pay particular attention to sampling issues.

Belief in the importance of replication within the natural sciences led to a view amongst quantitative researchers that it should be an ingredient of the social sciences too. Replication is often related to generalisation; it provides a means of checking the extent to which the findings are applicable to other contexts. In addition, it is often seen as a means of checking the biases of the investigator.

Methods of data collection associated with quantitative research include social surveys and experimental designs, although with the exception of psychology, the latter are less common. Researchers may choose observations, but to remain objective, contact with subjects will be minimal. Whichever method of investigation is employed, 'the stress on devising valid and reliable measurement procedures is especially redolent of positivism' (Bryman, 1989: 41).

Data are generally analysed so that the causal connections specified by hypotheses can be verified or rejected. The findings then feedback into the theory that influenced and guided the whole process at the outset. Thus theory expresses and reflects the accumulated findings of empirical research.

This process, which has been oversimplified somewhat, portrays quantitative research as a rational linear process; in practice, it is rarely the case (Bryman, 1988; Cresswell, 1994; Tashakkori and Teddlie, 1998). For example, national surveys, in which a sample of the entire population is randomly selected, are rare. Sampling is often a matter of convenience as opposed to the random sampling techniques suggested in textbooks. Generally, the findings are representative only of the population from which the sample was selected. Furthermore, qualitative researchers would question quantitative researchers' claims that research can be, or ought to be, objective, value free and based upon only observable phenomena.

Constructivism and qualitative research

Qualitative methods of data collection with which constructivism is associated, have been employed by social scientists for many years. However, interest in these methods gained increasing momentum since the late 1960s when some researchers became disillusioned with positivism and quantitative research (Bryman, 1988). According to Tashakkori and Teddlie:

'The discrediting of positivism resulted in the increasing popularity of paradigms more radical. These paradigms have several names (constructivism, interpretivism and naturalism) with constructivism being the most popular' (1998: 9)

Two of the most fundamental characteristics of constructivism, are its rejection of the scientific method of study, and its commitment to viewing events from the perspective of the people being studied. Qualitative researchers argue that it is only by being close to their subjects and by becoming an insider can they view the world as a participant in a particular setting.

Researchers tend to adopt a research strategy, which is relatively open and unstructured, rather than one which decides in advance precisely what ought to be investigated and how it should be done. Hypotheses are not generally spelled out and the idea of using theory as a precursor to investigations is often rejected; it might not represent participants' perceptions of events and/or what is important to them. As suggested by Filstead:

'Qualitative research is marked by a concern with the discovery of theory rather than the verification of theory' (1970: 38)

Qualitative researchers have more sustained contact with subjects than quantitative researchers. Participant observation and unstructured interviewing are methods most frequently employed. Whilst an interview schedule might be used, it usually consists of a list of the themes researchers want to cover. Interviewees are given the minimal guidance to allow them the opportunity to determine the most pertinent issues.

Qualitative researchers (for example, Whyte, 1984) argue that one of the strengths of this more open approach is its flexibility. It enhances the opportunity of uncovering unexpected issues that might be of interest, which allows new leads to be followed up or additional data to be gathered as issues arise. However, as there is a tendency to view all observations as probable data sources, there exists a potential problem of being overwhelmed by the mass of data, especially during the early stages.

'You may find so many interesting things to study that you are at a loss to delimit the scope of your project and focus on specific problems' (Whyte, 1984: 225).

Researchers routinely describe their data as rich and deep, often drawing a contrast with quantitative data, which, although depicted as hard, rigorous and reliable, are, according to qualitative researchers, superficial. Qualitative researchers have argued that:

'The researcher's greater proximity to, and involvement with, his or her subjects induces a feeling of greater confidence in the validity and solidity of data derived from its associated methods' (Bryman, 1988: 155)

Researchers working within this paradigm question the extent to which quantitative researchers truly examine the relationship between variables, suggesting that whilst they might show a statistically significant relationship, they rarely examine the process which links them.

Although quantitative researchers rarely deny the utility of qualitative research, they tend to view it as exploratory and useful during the early stage of research for generating questions and hypotheses, which can be tested more rigorously through quantitative methods. Proponents of qualitative research see it as an end in itself; it provides a greater opportunity to study the processes of social life because of its capacity to reveal meanings and interpretations (Bryman, 1988)

Can and should methods be combined?

Researchers (for example, Tashakkori and Teddlie, 1998) have suggested that given that such stark contrasts exist between the positivist and constructivist paradigms, it was inevitable that paradigm wars would break out between individuals convinced of what Smith (1994) has called the 'paradigm purity' of their own position. According to Bryman:

'It is difficult to say precisely when the debate became prominent, but increasingly the terms quantitative and qualitative came to signify more than ways of gathering data: they came to denote divergent assumptions about the nature and purpose of research in the social sciences' (1989: 3)

Guba and Lincoln (1990) have repeatedly emphasised the differences that exist among the paradigms, thus fuelling the paradigm wars.

Several schools of thinking arose in this debate between: the paradigm 'purists' who claim that paradigms and methods should not be mixed; the 'situationists' who assert that certain methods are appropriate for specific situations; and the 'pragmatists' who argue for the integration of methods in a single study (Rossman and Wilson, 1985; cited in Cresswell, 1994: 176).

Paradigm 'purists' argue for the incompatibility thesis with regard to research methods, suggesting that compatibility between quantitative and qualitative methods is impossible due to the incompatibility of the paradigms that underlie them. According to these theorists, researchers who try to combine the two methods are doomed to failure because of the inherent differences in the philosophies underlying them. Smith's (1983) account of the incompatibility thesis is that:

'One approach takes a subject-object position on the relationship to subject matter; the other takes a subject-subject position. One separates facts and values, the other sees them as inextricably linked. One searches for laws, the other seeks understanding. These positions do not seem compatible' (1983: 12).

Burrell and Morgan (1979) suggest that, contrary to the view that different approaches ought to be integrated, recognition that they are paradigms indicates that they reflect mutually exclusive ways of viewing the social world.

However, not all researchers argue so strongly that quantitative and qualitative methods have different epistemological implications and should therefore not be combined. Bryman (1988a) claims that although the two approaches might be viewed as distinctive, the differences between the two paradigms have been overstated and the division is not as wide as 'purists' advocate.

It is argued here that the differences between quantitative and qualitative research should not be disregarded, but they may not be as far apart as the epistemological version of the debate sometimes implies. In practice, many researchers address their research questions with the most suitable methodological tools available. For example, whilst some researchers might argue strongly in favour of positivism, it is apparent that they also appreciate the constructivist view of how external reality is

constructed through their inclusion of open-ended responses in their surveys. The same is true of the constructivist, who, in addition to ethnographic methods, might conduct structured interviews to reach a wider sample and thus increase the generalizability of their findings.

Reichardt and Rallis (1994) argue for the compatibility of quantitative and qualitative inquiries. They contend that there are enough similarities in fundamental values between the two to 'form an enduring partnership'. They claim that good research consists of recognising strengths and weaknesses and not being bound to a method irrespective of the problem being examined; a method will be good or bad only in relation to that problem.

The pragmatist's point of view is one of rejecting the forced choice between positivism and constructivism with regards to methods, logic and epistemology and of embracing both points of view (Tashakkori and Teddlie, 1994). Pragmatists consider the research question to be more important than the method they use or the worldview that is supposed to underlie the method. Regardless of where the researcher starts, (facts or theories) a research project always starts because there is a question that needs a satisfactory answer.

From this perspective, it is argued that quantitative and qualitative research methods are each appropriate to some issues but not to others. It is suggested that researchers should have knowledge of epistemological issues, and the implications of such issues on the research design, questions, methods of data collection, analysis and interpretation of results. Furthermore, the advantages and limitations of both quantitative and qualitative approaches should be considered, but methods do not necessarily bring a trail of epistemological presuppositions in their wake. In other words, the choice is a technical one; the choice of method(s) should be determined by its suitability to investigate the area of social life in which the researcher is interested and the research question determines which style of research is employed.

Within this context, it seems acceptable to combine quantitative and qualitative research and to perceive them as different ways of examining the same research problem or as providing pieces to the same jigsaw. The advantages are considerable

and epistemological issues do not have to be a barrier to integration. It is argued that if qualitative research is excluded on the grounds of being rooted to the positivist paradigm, and similarly, quantitative research is excluded because of an attachment to the constructivist paradigm some important issues might well be overlooked. If both quantitative and qualitative methods are employed, the strengths of one outweigh the limitations of the other, and the probability of generating data, which are both reliable and valid, is increased, as is the researcher's confidence in their findings (Webb et al, 1966).

The essence of the argument presented in this chapter is that it is appropriate to employ both quantitative and qualitative methods within the same study. As suggested at the beginning of this chapter, existing psychological contract research relies too heavily on quantitative methods. This study combines approaches and employs different methods at different stages of the research process. It is what Tashakkori and Teddlie (1994) and Cresswell (1994) describe as a mixed model study and is indicative of the pragmatist paradigm.

'Mixing qualitative and quantitative approaches throughout several phases of a research study, more accurately reflects a research cycle, which involves switching iteratively between deductive and inductive reasoning' (Tashakkori and Teddlie, 1994: 52).

According to Green et al (1989), mixed model studies have several purposes: triangulating or converging findings; elaborating on results; using one method to inform another; discovering paradox or contradictions, and extending the breadth of the inquiry.

The methods of investigation employed throughout the two year data gathering stage of this research are illustrated in figures 3.1 and 3.2. Figure 3.1 relates to the research carried out with a sample of 268 participants from 40 different organisations, which is referred to as the aggregate group. Figure 3.2 relates to the case study research. It is argued that through combining methods it was possible to explore the issues that were of interest in depth and from different perspectives.

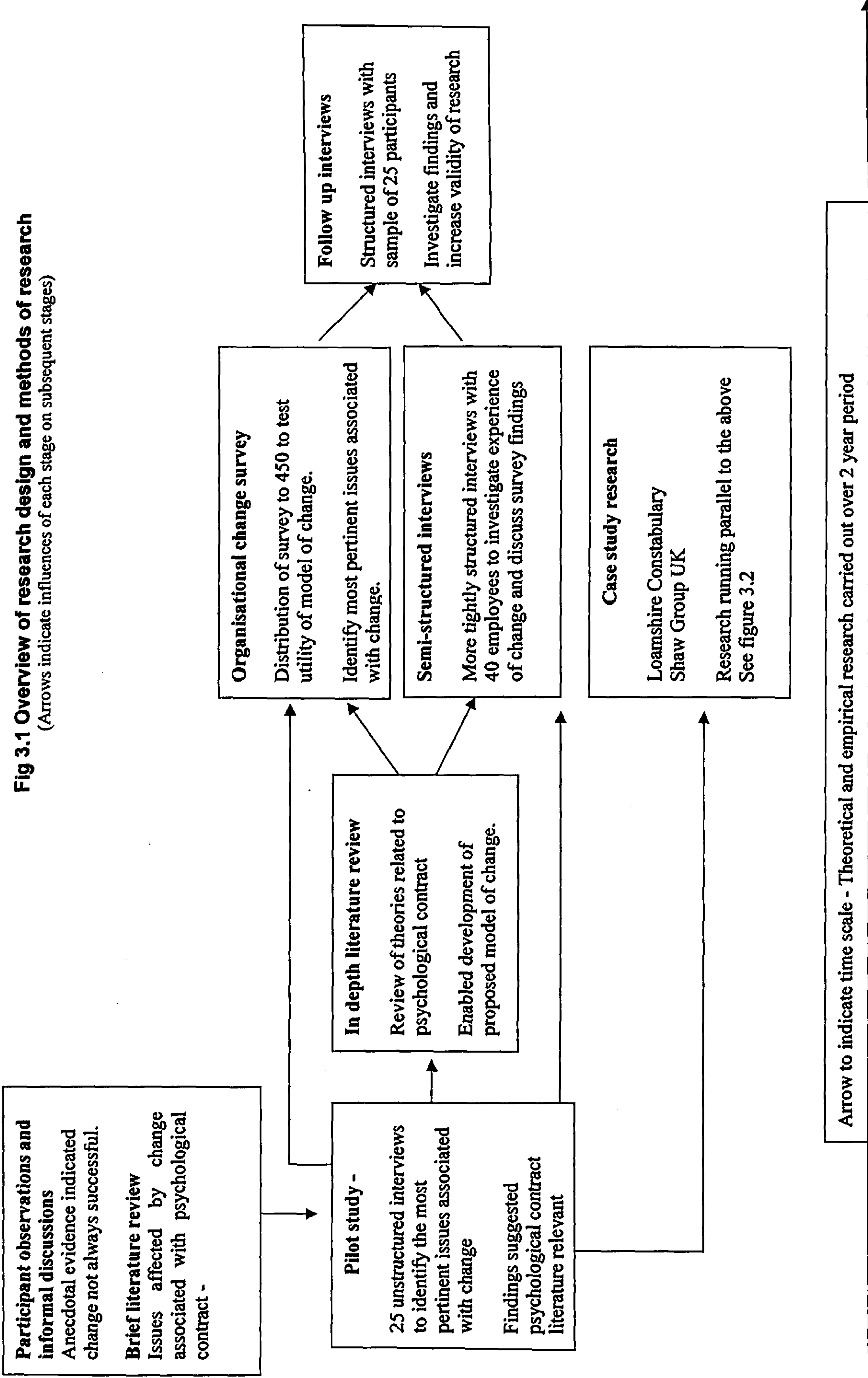
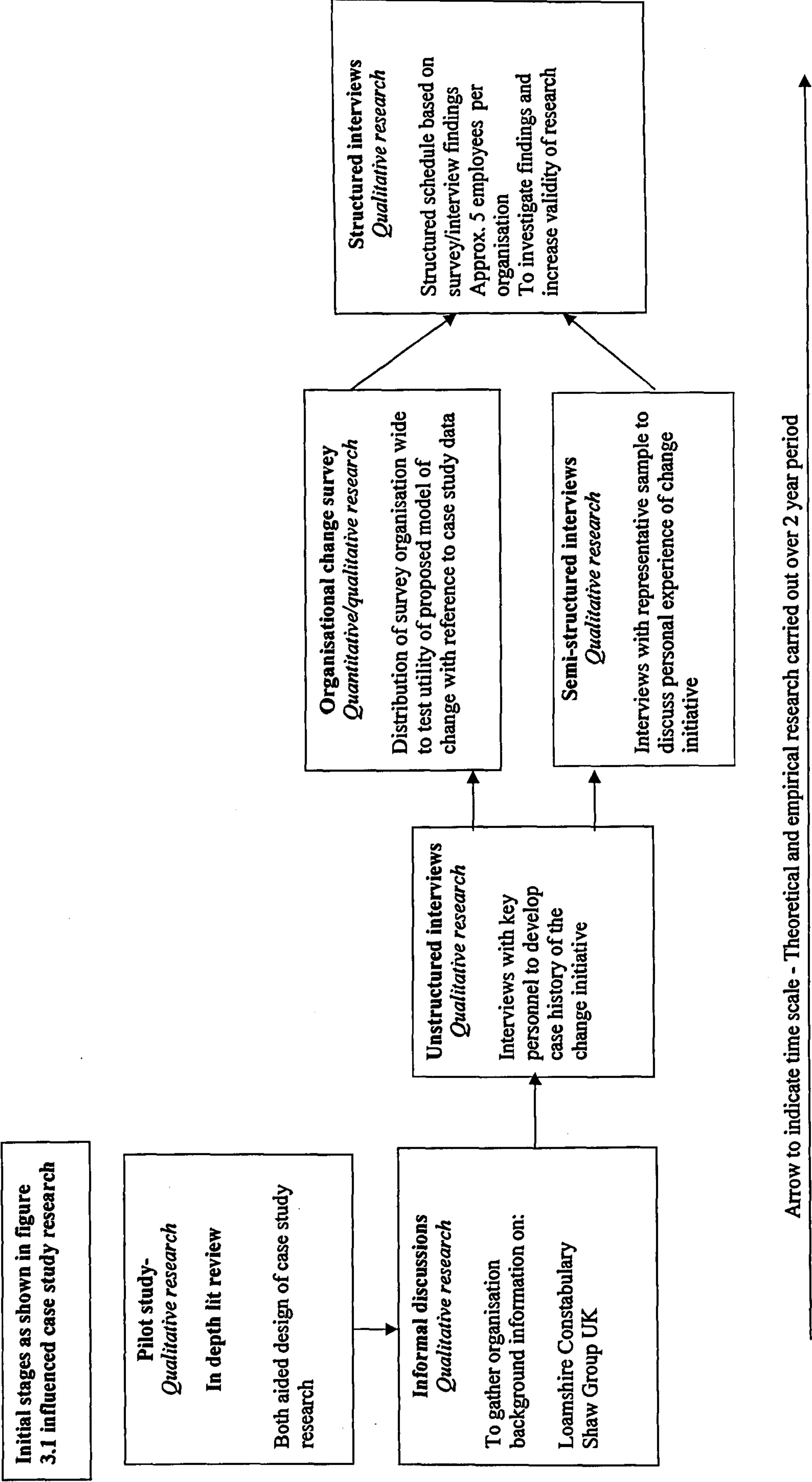


Fig 3.1 Overview of research design and methods of research
(Arrows indicate influences of each stage on subsequent stages)

Fig 3.2 Methods for case study research.

(Arrows indicate the influences of each stage on subsequent stages)



Research design and sequence of investigations

This section describes the research sequence; illustrating how each stage influenced subsequent stages. Procedural details will be presented later in the chapter.

Pilot study

The pilot study (appendix 1.1) was driven by two broad questions. First, what was the experience of change like for employees? Second, could the psychological contract provide a useful means of understanding more about organisation change and some of its associated problems?

Turning to methodological issues, it was approached from what some writers might regard as a constructivist perspective; theory played a limited part in guiding the research; there were no hypotheses to test, the methods of research and analysis were qualitative and classification of data was not predetermined. However, paradigm 'purists' might argue against this claim. Constructivist researchers (for example, Filstead, 1970) often reject the idea of using any theory as a precursor to research. Nevertheless, as other researchers have pointed out, when a researcher adopts a theory building stance, they must also start with some kind of framework (Miles, 1979), and with 'broad constructs specified a-priori' (Eisenhardt, 1989). Easterby Smith et al (1991) have argued, 'there is no such thing as presuppositionless research'. The point being, that whilst theory played a limited part in guiding these unstructured investigations, there were nevertheless, some important issues which influenced the interview agenda and which provided some guidance for analysing data. Had a framework not been imposed around this qualitative approach, it seems inevitable that the volume of potentially analysable data would have been overwhelming. As suggested by Downey and Ireland (1979), apart from the obvious impossibility of complete theory-neutrality, researchers attempting to start from a clean slate would be confronted with a potentially infinite number of issues to operationalize.

Literature review as part of the methodology

Pilot study findings provided a better indication of which literatures would be useful in building a theory of change and developing more specific research questions. Following a review of empirical and theoretical literature (chapter 2) a model of change was developed that was thought to reflect employees' experience of change. This provided a framework within which to structure further empirical investigations.

Main research phase

Whilst pilot study interviews demonstrated how an unstructured, qualitative approach uncovers issues which might be overlooked by more structured methods, it did not provide an opportunity to examine the experience of change across different groups. The sample was limited to 26 managers who were asked to describe how they perceived their employees' experience of change. Furthermore, a one off interview provides only a snapshot of participants' views at a particular point in time. The employees, upon whom they were commenting, might provide different accounts of events. Thus, it is questionable as to how reliable the findings might be, and the extent to which they can be generalised beyond the group that was studied.

To achieve the research objectives, more in depth research was needed to generate data, which reflected the views of a wider population. Thus, the main investigations were carried out with three research samples: an aggregate group of 268 employees from over forty organisations and two case study sites, Shaw Group UK and Loamshire Constabulary.

Aggregate Group investigations

Qualitative research, in the form of forty semi-structured interviews, was carried out with employees from public and private sector organisations. Running parallel to the interviews, an organisation change survey, designed to generate both quantitative and qualitative data, was distributed to four hundred and fifty employees. This generated data that could be statistically analysed and thus test the utility of the model of change.

Based upon both the survey and interview findings, more tightly structured interviews were then conducted with a smaller sample of twenty five to explore some of the more pertinent issues in more depth and to seek clarity and explanations for some of the unexpected findings.

Case study research

Within the same time scale, case study research was conducted with two organisations (Loamshire Constabulary and Shaw Group UK) to understand more about the context within which change takes place. A criticism of psychological contract and change research is that it frequently ignores contextual issues. Furthermore, participants' mood and/or events taking place at the time of the research are likely to influence their perceptions of change and thus the information they convey. A pilot study interviewee who had cancelled the original appointment illustrated this point.

'If I'd talked to you when we originally arranged our meeting, I would have told you quite a different story. I was thoroughly pissed off then and thought that I was going to lose my job. Now its all calmed down a bit, I see things quite differently'. (Conference manager, social services)

Thus a survey or one off interview limits the extent to which the researcher can gain an overall view of organisation change, its progress and the longer term implications.

Consideration of Yin's (1989) definition of the case study confirmed its potential suitability to carry out research over an extended period and to address some of the contextual issues.

'A case study is an empirical enquiry that investigates a contemporary phenomenon within its real life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used' (1989: 23)

Morris and Hough (1987) provide further support for its suitability to investigate organisation change. They claim that it does not confine the researcher's attention to a narrow, single discipline perspective but enables the full complexity of organisational, managerial, political and other dynamics to be appreciated and compared across cases.

As Child and Smith (1987) claim, an interdisciplinary case study approach offers attractive advantages over other research strategies.

Survey Design

A copy of the organisation change questionnaire can be found in appendix 3.1. Due to its complexity and length, this section is dedicated to a discussion of how it was developed and of how the questions relate to the research objectives. All questions were influenced by pilot study interviews or evidence presented in the literature review.

A number of scales were developed specifically for this study; details are provided below. Refer to appendix 3.2 for a full list of items for each scale. Use was also made of existing survey scales (for example, the Job Satisfaction Scale; Cook and Wall, 1979 and the Occupational Stress Indicator, Cooper, 1997).

The organisation change survey first examines change within a wider, more general context. Its objective is to investigate the scale and types of change that respondents had experienced over recent years and the impact of such changes on the psychological contract. The remainder of the survey relates to the dimensions in the model of change.

Scale and types of organisation change

This section investigates whether respondents had experienced the scale of change suggested by some researchers and, whether they had the relevant experience to take part in this study. They were asked:

- How much change has there been in your organisation in the last three years?
- How much has your own job changed in the last three years?
- How much has the workload increased in the last three years?

Response format was a 7-point Likert scale (7 = 'a great deal' and 1 - 'none at all').

Respondents were then presented with a list of 9 change initiatives, including downsizing, restructuring, introduction of new technology, take-over/merger, changes in working practices and asked to identify which had been implemented over the last three years. They were given the opportunity to make additions to the list.

General changes in the psychological contract

The survey then investigated whether changes over recent years had impacted on respondents' psychological contracts in the same ways that many researchers suggest. It also aimed to assess their attitudes towards any psychological contract changes and to determine whether 'employability' is now a key feature.

To elicit this information, respondents were asked a series of questions. However, as many participants might be unfamiliar with the term psychological contract, careful consideration had to be given to the wording of the questions. Furthermore, as discussed in chapter 2, it is not clear whether the psychological contract should be considered only in terms of perceived mutual obligations (as suggested by Rousseau 1990) or whether it should include expectations and promises. Participants might not make the same distinction as researchers familiar with psychological contract studies. Thus, 'expectations', 'obligations' and 'promises' were all considered acceptable terms and the organisation change survey employed all three. Respondents were first asked:

- At the time of joining your organisation what did you expect from the organisation in terms of what you believe they had promised or were obliged to provide?

They were presented with a list of 16 components or factors, which have previously been identified as part of the psychological contract. The list also included items, which pilot study interviewees claimed were important beyond the formal contract of employment. They relate to issues associated with the 'old' psychological contract, such as job security, promotion prospects, reliability of the organisation and those which are more indicative of a psychological contract based on the notion of employability such as 'seeing the organization as a stepping stone in their career' or as

'providing experience that would look good on a CV'. An opportunity was provided to make any additions.

Respondents were then asked about their current psychological contract

- In relation to the job that you do now, what do you expect from the organisation in terms of what you believe they have promised or are obliged to provide?

They were presented with the same list of 16 factors and given the opportunity to make additions.

Two further questions were asked to determine how participants felt about any changes that might have occurred. These questions also aimed to address the employability debate.

- Consider your responses to the second list, which relate to your current job, and indicate which you most value?
- Are there any items on the first list, which relates to your job at the time of joining, that ideally you would like to have retained?

Finally, respondents were asked to indicate on a 7 point scale (7 = 'to a great extent and 1 = 'not at all'), the extent to which they believed both themselves and the organisation could be relied upon: to deliver promises, live up to expectations and fulfil obligations.

Factors proposed in the model of change

The remainder of the survey was designed to: assess whether the model represents an accurate reflection of respondents' experience of change; and examine respondents' attitudes towards each dimension in the model.

To ensure consistency and continuity, respondents were asked to identify the change initiative that they perceived as having had the greatest impact on them and to answer the remainder of the questions with reference to it. Unless stated otherwise, the

response format is that of a five point Likert type scale. Dependent on the nature of the question, respondents indicated the extent to which they either agreed with or were satisfied with a particular issue. 5 = strongly agree or very satisfied and 1 = strongly disagree or very dissatisfied.

'Change implementation'

Questions in this section were influenced by organisation justice theory. They assessed participants' perception of the degree of fairness in relation to three dimensions of 'change implementation'.

- *'Rationale and consequences'*

'Rationale and consequences' refers to the extent to which employees accept the reasons for change and whether they are satisfied with the consequences. The scale developed specifically for this study included 8 statements, such as:

- The changes were necessary for the organization to survive;
- The consequences of the change were inevitable, management did not really have any alternatives';
- There have been or will be considerable benefits from the changes

- *'Processes and procedures'*

Researchers suggest (Brockner et al, 1987; Bies, 1987; and Moorman, 1991) that reactions to change are dependent on attitudes towards the implementation process as much as the outcome. Such claims are consistent with the pilot study findings

The 'procedural justice scale' (Moorman, 1991) was adapted for this study. It consists of 7 items relating to the existence of organisational procedures designed to promote consistency and accuracy and suppress bias. However, the original scale assesses attitudes towards organisational procedures in the context of employees' current job. The questions were re-worded to relate to the 'processes and procedures' adopted during change implementation. For example, the 'procedural justice scale' is prefaced with the statement:

In order to ensure that fair decisions have been made, in general, this company has developed procedures designed to:

- Collect accurate information necessary for making decisions;
 - Provide employees with useful feedback regarding decisions
- (A total of 7 items are included in the scale)*

Whilst the organisation change survey was prefaced with:

When the change initiative was implemented, your company had processes and procedures in place designed to:

The statement was followed with the same (7) items as the 'procedural justice scale'.

- *Individual Treatment*

Interactional justice is concerned with perceptions of fairness during the enactment of organisational procedures (Bies, 1986). The 'interactional justice scale' (Moorman, 1991), consists of 6 items relating to social sensitivity, such as treating employees with dignity and respect, listening to their concerns, providing adequate explanation for decisions and demonstrating empathy. As with the 'procedural justice scale', it has not been used specifically in the context of organisation change. It consists of statements such as: '*your supervisor considers your viewpoint*' and '*your supervisor shows concern for your rights as an employee*'. The scale in this study consisted of six (re-worded) items from the 'interactional justice scale' and two additional items. The items were prefaced with the statement:

Those responsible for implementing the changes:

- Considered your viewpoint
- Were able to suppress personal biases
- Treated you with kindness and consideration

Psychological contract reappraisal

Questions relating to 'psychological contract re-appraisal' aimed to determine first, the extent to which the psychological contract is perceived as providing a degree of predictability, security and control, which in the context of this research has been labelled 'predictability and control'. Second, how participants perceived the degree of

balance between their inputs and the rewards they received, which is referred to as 'degree of balance'.

Based on schema theory and the role of schemas in organisation life, the scale for 'predictability and control' consisted of ten statements, such as:

- Clear explanation of what has to be done
- Understanding what to expect from the organisation
- Feeling confident about your future with the organization
- Being able to prevent negative things from affecting your work situation

Based on social exchange theory (Blau, 1964) the scale for 'degree of balance' consisted of nine statements, such as

- Management's expectations of employees is generally fair
- I give more to this organization than I get back in return
- The balance between what the organization expects from employees and what it gives back is equal

This scale contained both positive and negative statements; the latter were reverse scored in the analysis

Employee and Organisational outcome measures

Outcome measures illustrated in the model are those which pilot study interviewees claimed were associated with change and which psychological contract studies have shown to be influenced by perceptions of breach or violation.

Employee outcome measures

- *Job satisfaction*

Items, which measure both intrinsic and extrinsic job satisfaction, were selected from the 'overall job satisfaction scale' (Warr, Cook and Wall, 1979). The reliability and validity of this scale has been checked in previous studies.

Three additional questions were included. Respondents were asked how change had impacted on job satisfaction and also to identify three aspects of their work that were more/less enjoyable that had increased/decreased job satisfaction.

- *Social environment*

Over a third of the pilot study interviewees suggested that low morale and concerns over job security had affected the social environment. The survey consisted of five statements, including:

- We often have a laugh and a joke at work;
- I enjoy socialising with colleagues from work.

- *Relationships at work*

Increasing hostility and conflict at work was a further issue that arose with consistency during the pilot study. Interviewees attributed this to increasing work pressures, to uncertainty about new roles and insecurity. Five survey items included statements such as:

- Relationships between management and employees are generally very good;
- There is rarely any conflict between employees who work together.

- *Organisation stress*

Research findings (for example, Cooper, 1997; Hall and Mirvis, 1994) and evidence from the pilot study indicate that there has been an increase in stress related illnesses that are attributed to insecurity and increased demands. Questions were included in the organisation survey to: investigate whether organisation change had increased stress; determine the overall level of stress; and identify potential sources of stress.

The 46-item scale used to identify potential sources of stress was an adaptation of the 'occupational stress indicator' (Cooper, 1997), which has been psychometrically tested for measures of reliability. Statements relate to both work and personal issues. Six additional items relating specifically to organisation change were incorporated into the original scale. These included statements such as:

- Not being able to cope with changes;

- Being kept in the dark when management makes changes.

The 'occupational stress indicator' is scored on a six point scale where 6 = 'very definitely is a source of stress' and 1 = 'very definitely is not a source of stress'. An additional response category of '0' was included to give respondents the opportunity to indicate that a potential source of stress is not applicable. For example, 'demands my work makes on my relationship with my partner/children' would not be relevant to someone who lives alone.

To investigate the prevalence of organisation stress, respondents were asked, whether in the last twelve months they had:

- Suffered from a stress related illness
- Taken medication for a stress related illness
- Sought professional help for a stress related illness
- Suffered from a range of stress related symptoms

From the pilot study interviews, it appeared that stress is an issue that some organisations would prefer ignore, and/or one that some employees find difficult to discuss. This raised concerns about how willing respondents might be to answer sensitive questions. If they were reluctant to offer this information, they might be deterred from returning an incomplete questionnaire. These questions therefore appeared at the end of the questionnaire in a section that could be detached. Thus, if respondents felt uncomfortable with the stress survey, they could still participate in the organisational change survey. In the event, only one organization change questionnaire was returned without the stress questionnaire.

Whilst stress appeared to be an important issue in relation to organisation change, due to the length of this questionnaire scale, it was decided not to include data from this in the final analysis and write up of this thesis. (This is discussed later in the chapter under the heading 'limitations of the research')

Organisation outcome measures

Commitment, organisation citizenship behaviour (OCB) and turnover intentions were the three organisation outcome measures included in the survey

- *Commitment*

An existing scale developed by Allen and Meyer (1990), who propose three components of commitment was adapted for this research.

Affective commitment refers to a desire to remain with an organisation because of positive work experience. The scale included statements such as:

- I feel proud to discuss my organisation with people outside of it;
- I feel as if the organisation's problems are my own

Continuance commitment refers to the need to remain with the organisation because of accumulated investments and a lack of employment alternatives. For example:

- One of the few serious consequences of leaving this organisation would be the scarcity of available alternatives;
- Right now staying with my organisation is a matter of necessity as much as desire.

Normative commitment refers to feeling one ought to remain with the organisation because of personal norms and values. For example:

- Jumping from organisation to organisation does not seem at all unethical
- Things were better in the days when people stayed with one organisation for most of their career.

Previous research (Allen and Meyer, 1990) has shown that affective and normative commitment correlate .31 and continuance commitment does not correlate with either affective or normative commitment. This would suggest that there is high internal reliability within each scale and that the separate scales are independent of one another. Thus, it was concluded that each of the psychological states identified in the literature as commitment, could be reliably measured with this instrument.

- *Organisational citizenship behaviours*

Organisational citizenship behaviour (OCB) refers to employee behaviour that is extra-role, that promotes effectiveness, and that is not explicitly recognised by an organisation's reward system (Organ, 1988, 1990).

Scales used in previous research (for example, Bies and Moag, 1986; Moorman, 1991, Robinson and Morrison, 1995) have been adapted for this study. The 8 items are based on existing research and comments made by pilot study interviewees who were concerned that employees were less innovative and less willing to 'put themselves out' for the organization. It included statements such as:

- I often volunteer for things beyond what is required;
- I try to make suggestions to improve the functioning of my department;
- I am willing to take risks for the sake of the organisation.

- *Turnover intentions*

Finally, some pilot study interviewees were concerned that some employees, who were dissatisfied, were leaving the organisation. They were concerned that if this pattern continued, only those unable to find employment elsewhere would remain. To get an indication of participants' future intentions the following were included:

- I would like to be with my current employer in three years time;
- I expect to be with my current employer in three years time;
- I would be happy to spend my career with my current employer.

They were also asked which of the following best reflected their intentions:

- I have never thought about leaving this organisation
- I have sometimes thought about leaving but have never done anything about it.
- I have recently looked around for other jobs
- I am currently in the process of trying to leave this organisation

Opportunities to provide more information

At appropriate points throughout the questionnaire, respondents were given the opportunity to make additional comments. They were also encouraged to provide

information about any issues, relevant to their own experience of change, that were not addressed by the survey.

Procedural Details

This section presents procedural details for the semi-structured interviews, distribution of the organisation change survey and the follow up interviews, which constituted the main research investigations with the aggregate group. The following section introduces the two case study organisations.

Details of survey respondents and interviewees from the aggregate group can be found in appendix 3.3. As little was known about the organisations representing the aggregate group, it is not possible to comment on whether this sample is representative of each organisation's workforce in terms of gender, age, tenure or employment status. However, as over 90% of the aggregate group sample is 'full time, permanent' employees, the findings should not be generalised beyond this group. As discussed in the section 'methodological limitations, the average length of service and length of time in current position appears to be relatively high, which could have implications for the findings. In addition, as the percentage of participants with managerial responsibilities is high, quantitative data for managers and non-managers will be analysed separately. When it is apparent that a view being expressed relates to a management perspective, this will be emphasised.

Semi structured interviews

Interviewees for the aggregate group were recruited through convenience and snowball sampling. Whilst this reduces the likelihood of recruiting a representative sample, it is a useful method where difficulties exist in recruiting participants with the relevant experience. The first ten interviewees were known to the researcher through: attending De Montfort university's organisation change forums; studying for a Master's degree; or from participating in previous organisation change research. It is

acknowledged that this sample was biased; eight were managers and they had all expressed an interest in change management. Therefore, their views were unlikely to be representative of all employees. To overcome some of these difficulties, they were asked to identify further interviewees who had experienced organisation change, but had not had responsibility for managing it. Thirty interviewees were recruited through this means and a total of forty employees from twenty-eight organisations were interviewed.

The interview schedule (appendix 3.4) was more structured than the pilot study. It followed the same sequence of questioning as the organisation change survey.

Interviews examined how the psychological contract might be changing and how interviewees felt about any such changes. They were questioned about these issues in terms of changes in 'expectations', 'obligations' and 'promises' rather than psychological contract changes.

They then focused on interviewees' experience of a specific change initiative, covering the same topics as the organisation change survey. For the most part these were straightforward, for example when discussing 'change implementation' they were asked 'can you describe how the change was implemented?' and 'how has it impacted on your job?' However, it was anticipated that asking interviewees to express their views towards 'psychological contract re-appraisal' would prove more difficult; they would be unfamiliar with the terms 'predictability and control' and 'degree of balance'. They were asked several questions from the organisation change survey such as: 'Do you feel that your contributions to the organisations are rewarded fairly?' 'Are you able to prevent negative things from affecting your job?' 'How confident are you about your future with this organisation?' Throughout the interviews, they were encouraged to discuss any additional issues relevant to their experience of change.

The forty interviews, which lasted approximately an hour and a half, were tape recorded and later transcribed. Interviewees were offered a copy of the interview transcript and a summary of the main findings and they were invited to make additional comments. Seven of them, all of whom were managers, telephoned to

arrange a further meeting to discuss how the findings might help their organisation in managing future changes. .

Seven organisations volunteered to participate in case study research and four were recruited to the project. Investigations at one organisation (prison training centre) came to an end after six months because the main contact was transferred to another region where research was not logistically possible. Because of unforeseen problems with survey distribution, data from another organisation (County Council) were excluded from the analysis. As the organisation employees several thousand people working in different locations, it was intended that questionnaires would be distributed within one department to ensure that respondents were all referring to the same initiative. In the event it was distributed to a sample of employees organisation wide and respondents referred to many different change initiatives.

Organisation change survey

Pilot studies

A limitation of postal surveys is that respondents do not have the opportunity to clarify issues they are unsure about. In such cases, the researcher runs the risk of reducing the amount of analysable data if respondents are unable to answer all of the questions. This could reduce the response rate, as there will be little motivation to complete a survey that is ambiguously worded or confusing.

Three small pilot studies were carried out to ensure that respondents would not experience difficulty in completing the questionnaire. A sample of five was recruited for each one. Respondents provided feedback and the questionnaire was amended accordingly.

Survey distribution

Contacts from forty organisations agreed to randomly distribute questionnaires to colleagues/employees from all levels of their organisation. Participating organisations

each received between five and twenty five copies, dependent on the size and structure of their organisation. Four hundred and fifty questionnaires were distributed.

Although interviewees were encouraged to randomly select employees, it was left to their discretion to decide whom to involve in the research. The completed surveys were later analysed to ensure that they were representative of all organizational levels.

The questionnaire was prefaced with an introductory letter, which provided information about the purpose of the research and details of how to complete the survey. Participants were reassured that their responses would remain confidential and anonymous.

Pre-paid envelopes addressed to the researcher were supplied to increase the response rate. Each participating organisations was each allocated a code so that a record could be kept of the number of questionnaires returned from each one. Two hundred and sixty eight were returned, representing a response rate of 57%.

Analysis of data

Quantitative data were entered into a database and analysed using the Statistical Package for Social Sciences (SPSS). Qualitative data, in the form of respondents' comments, were subjected to a content analysis. Details of the specific procedures are given in the following chapters where the findings are presented.

Follow up interviews

A further twenty five interviews were conducted twelve months after distributing the survey to discuss the findings and explore issue that had not been anticipated. It also provided an opportunity to investigate how the change initiatives were progressing. The same procedures and methods of analysis were followed as the pilot studies and the first series of interviews.

Case study research

This section introduces the two case study organisations, presenting an overview of the events that led to the changes that are the focus of this study. It also presents details of the methods of investigation. A more detailed account of the history of these two organisations can be found in the appendices.

Shaw Group

Shaw Group UK is an engineering company in the power station construction industry, based in the East Midlands. Formerly known as Whessoe and then Prospect Engineering, the company was originally two separate, privately owned companies: Aiton Engineering and Dunn International. Historical details of the two companies are summarised in figure 3.3

Aiton Engineering, established in the 1950s as a manufacturer of pipes for power stations, was based at the site, which now accommodates Shaw Group. Due to massive growth in the power station construction industry, Aiton Engineering became a successful and profitable organisation. The culture of the organisation represented the stereotypical view of many manufacturing and engineering organisations up until the late 1980s. It was described as: 'Very traditional. It was like it was a hundred years old and they'd always done things that way'.

After being taken over by Whessoe in 1985 shortly after achieving record profits, the organisation declined steadily. This was attributed to lack of investment, decline in the power construction industry and fierce overseas competition. Prospect Industries PLC purchased Aiton Engineering in 1994.

Dunn International, originally owned and managed by three partners, was established in 1975. The company installed and maintained pipes for power stations. The culture of Dunn International was perceived as very different to that of Aiton Engineering. For example: 'Dunn's was much less of a formalised or conventional company. They employed mostly sight workers; a bit rough and ready'. The company was profitable and in 1992, Prospect Industries, offered £14m for Dunn International, which

according to interviewees, ‘they would have been stupid to refuse’. Because of its reputation in the industry, the name of Dunn International was retained and for two years continued operating as before.

Fig 3.3 Historical details: Aiton Engineering and Dunn International			
Aiton Engineering		Dunn International	
1955	Aiton Engineering established as a manufacturer of pipes for the power construction industry	1975	Dunn International established to install and maintain pipes for the power construction industry
1985	Take-over by Whessoe Group. The company retained its original name and was managed independently of the rest of the Whessoe Group. First redundancies 1990	1992	Take-over by Prospect Industries PLC for £14m. Due to its reputation in the industry, the name Dunn International was retained until 1994
1994	Whessoe Group taken over by Prospect Industries PLC.		
	1994 Aiton Engineering and Dunn International merged to form Prospect Engineering PLC. Dunn International transferred the majority of employees to the former Aiton Engineering site Series of redundancies between 1994 - 1997		
	1997 Prospect Engineering bought out by Shaw Group PLC. The organisation became known as Shaw Group UK Research commenced December, 1997		
	1997 - 1999 Major restructuring of the organisation and two downsizing initiatives Investigations focused on employees' experience of these changes.		
	End of 1999 Shaw Group UK employed 120 permanent employees. The organisation had 12 months to return a profit otherwise, Shaw Group PLC planned to transfer manufacturing to another division overseas Research ended November, 1999		

As both organisations were in the same industry, it made economic sense to consolidate resources (such as finance, wages and purchasing) and locate both companies on the same site. Over ten per cent of the workforce lost their job. As the former Aiton engineering site was larger, Dunn International was relocated. The newly formed company traded as Prospect Engineering. The cultural differences of these companies, which persisted long after their merger in 1994, appeared to have a profound impact on employees' experience of a further take-over by Shaw Group in 1997.

Prospect Engineering encountered additional, serious problems. There were seven changes of senior executive between 1994 and 1997; most were dismissed for failing to make a profit. By 1997, the company was steadily falling into decline. Approximately £7M was owed to creditors, major investments in the factory were long overdue and orders were frequently lost to overseas competitors. Employees were working a four-day week and closure of the factory seemed inevitable. Shaw Group PLC purchased Prospect Engineering from Prospect Industries PLC at what was described as a 'ridiculously low price'. Shortly after the take-over, the company was restructured and it is the changes surrounding this restructuring that are the focus of these investigations.

Procedural Details

For approximately two years, organisation change at Shaw Group was monitored through qualitative and quantitative methods of research. Information was sought about the type of industry, the history of the company, the culture of the organisation and the effects of such issues on participants' experience of change were investigated. This provided an opportunity to explore the context in which change takes place. For example, the implications of the threat of redundancy are appreciated once it is realised that the organisation operates in a declining industry where alternative job opportunities are limited. The negative attitudes of many participants towards organisation change is understandable once it becomes apparent that this is the third take-over in recent years.

For the first six months, the organisation was visited at approximately monthly intervals. The personnel manager, manufacturing director, managing director and the company secretary, attended the first meeting, which took place in November 1997. All four took an active part in the early phases of the research project organising factory visits and informal meetings with employees to gather background information relevant to the study. Company documentation was available and observations were encouraged. The company secretary and manufacturing director left six months into the project. The personnel manager and managing director remained key contacts. They arranged interviews and distributed the organisation change survey.

It was agreed that interviews would be conducted with a representative sample of 30 employees. These were conducted in May 1998, approximately six months after the first meeting. The organisation change survey was distributed organisation wide in November 1998. A further ten follow-up interviews were carried out in September 1999. Thus, the progress of the take-over was monitored from the first announcement until 18 months afterwards.

Loamshire Constabulary

(Loamshire is a fictitious name to protect the real identity of this police force).

Loamshire Constabulary provides a policing service to the people of Loamshire and Montfort, a small county bordering Loamshire. The area covers 2,500 square kilometres and has a population of nearly one million. Loam is the small county city of Loamshire, which the police force describes as 'a diverse and vibrant multi-cultural community'.

The force currently comprises 22 local policing units (hereafter referred to as LPU's) spread across five policing areas. Police Headquarters (HQ) is based approximately 3 miles south of the city of Loam. Specialist teams, for example the air support unit, provide services to the 22 local policing units. Two thousand police officers and civilian staff are currently employed either at one of the Local policing units, HQ, or one of the specialist divisions.

The force is divided between 'operations' and 'support' divisions. 'Operations' is responsible for all front line policing, including criminal investigations, crime prevention, traffic patrol and event policing such as football games, demonstrations and carnivals. Specialist divisions such as fraud, drugs, CID and dog handling are classified as 'operations'. Police officers constitute the majority of employees in this division although some civilians work on the crime reception desks and as criminal investigation officers. Whilst some civilians have management responsibility, the most senior positions are always occupied by police officers.

The 'support' division provides all support functions to the operations division including, traffic wardens, call handling (both 999 and routine calls), administration assistance, human resource management, salaries and finance, enquiry desks and supply and maintenance of all police equipment. The support division currently employs 900 police and civilian staff. A senior officer and a civilian manager are responsible for each area's support division although the senior officer has overall responsibility.

It was clear during the early stages of this research that, whilst police and civilians both work for the same organisation, there are several significant differences between these two groups. For example, their terms and conditions of the employment are different. Police officers are employed by Loamshire Constabulary, they have a clear promotion structure and are protected against job loss and downgrading unless through misconduct. Civilians are employed by for a specific position, promotion opportunities are limited and they are not protected against job loss or downgrading. There are also cultural differences between police and civilians. Police officers perceived their jobs as 'a way of life'. They use a language, which only other officers understand. Work does not appear to occupy quite the same position in civilians' lives. Finally, police work was perceived as more important than the work of civilians. Even when employed in the same position, civilians were perceived as providing a supporting role. Throughout the following chapters, evidence is presented to show how these differences affected their experiences of organisation change.

Investigations at Loamshire Constabulary focused on the organisation changes associated with the review of the force, a major re-structuring programme, which took two years to complete. The rationale underpinning the force review was twofold. First, and foremost, the Chief Constable sought ways to reduce crime and improve the quality of policing throughout Loamshire. It was felt that police officers should work more closely with local communities, and thus improve public confidence in the police. Second, to reduce costs and improve efficiency. The aim was to restructure the force so that a local service was delivered consistently across the county. At that time, the force comprised of eight divisions spread across Loamshire and Montfort. The Chief Constable wanted smaller units with independently managed budgets, where decisions could be made at a local level without having to refer to headquarters. The final model for change was to restructure the force from 8 divisions to five local policing areas.

Procedural details

The main investigations were carried out over twelve months, although the organisation was visited for approximately two years. At the beginning of the research, the review plans had been announced and the majority of the changes implemented. The first meetings were with the personnel manager, a civilian employee, at Loamshire's headquarters. The purpose was to gather background information about the organisation and the review. A research proposal was presented to the assistant chief constable, who granted permission to conduct the investigations. Due to the nature of police work and the need to protect information, it was necessary to impose more regulations and a firm research agenda was established at the outset. It was also agreed that due to the sensitive nature of police work and the need to protect the identify of Loamshire Constabulary and its employees, specific details about the organisation, such as organization charts, would not appear in this thesis. Thus, it is not possible to provide the same amount of detail that is provided for Shaw Group. Regulations had to be imposed regarding information that would appear in a written format and care has been taken to protect the identity of participants and to avoid discrediting the service Loamshire provide to its citizens.

Ten interviews were carried out initially with police officers and civilians across the entire force to gain an understanding of the review process from different perspectives. The assistant chief constable, a chief superintendent, two chief inspectors, and a sergeant based at one of the LPU's represented the police. The traffic warden manager, recently retired from the police force, the welfare officer, personnel officer and two administrative assistants represented civilians.

The main investigations focused on one of the five policing areas, which will be referred to as Frederick Road area. This includes Frederick Road police station, situated in the city of Loam, and four smaller LPU's. (see appendix for information about Frederick Road and how it differs to other policing areas)

The 150 participants (both police officers and civilians) were selected at random from the 230 employees based at Frederick Road station and the 70 employees based at Harrington and Kibton, two of the smaller LPU's. The organisation change survey was distributed to these participants and interviews were carried out with a sample of 25. Permission was given to tape record interviews, however, senior management was concerned that if questionnaires were left lying around, participants might be identified from their status, age group, position and length of service. Survey respondents were not asked to provide these details.

Finally, attention is drawn to the way in which survey findings for Loamshire are presented both in the following chapters and the appendices. It was clear from the early interviews that police officers and civilians provided different accounts of their experience of organisation change. To investigate these differences in more detail and determine to what they might be attributed, survey data for police and civilians were analysed separately. Where the differences between the two groups are insignificant (for example, less than 10%), the average combined response is presented. Otherwise, the results for police and civilians will appear separately. However, only forty five police officers and forty civilians responded to the survey and the results for samples of less than 50, would normally appear as raw numbers or proportions. It is suggested that on this occasion, it would be appropriate to break this rule. First, the sample sizes are different therefore comparing raw numbers (for example 25 police with 38 civilians) would be meaningless. Second, results are compared with those

from the aggregate group and Shaw Group. It would be difficult to appreciate the similarities and differences between these if the aggregate group and Shaw Group appeared as percentages and Loamshire Constabulary appeared as raw numbers. Therefore, it is suggested that to maintain consistency throughout this thesis and for ease of comparing results across samples, it is appropriate to calculate the percentage response rate. However, one should keep in mind that as each police officer's response equals 2.2% and each civilian's equals 2.5%, as few as four or five respondents can alter the findings by up to 10%.

Methodological limitations

This section discusses the methodological limitations and their implications for the findings and suggests how future studies might be improved.

It is acknowledged that the sampling techniques for the aggregate group produced a sample that is unlikely to represent most organisational structures. The risks of recruiting a biased sample through convenience and snowball sampling were discussed above. However, it was anticipated that problems would be overcome if volunteers recommended further interviewees from all different levels and if the survey was distributed to a random sample of employees. In the event, over half of the interviewees and almost twenty percent of the survey respondents were managers. Whilst the findings for management and employees are not reported separately in this study, survey data were analysed separately. The results showed that generally, responses were not influenced by participants' grade. If a view being expressed appears to be representative of only a particular group of employees, this will be highlighted. Nevertheless, it is recommended that future research should ensure that either a more representative sample is recruited, or the findings for management and employees are reported separately.

There are further concerns about the characteristics of the research sample, which have implications for the representativeness and generalizability of the findings. It was found that variables such as length of service, availability of alternative

employment options and the type of industry or profession affected participants' experience of change. In particular, these factors influenced their concerns about job security, an issue that appeared to dominate this study. It is unclear to what extent this sample is typical in terms of these variables. For example, there appeared to be more engineering and manufacturing organisations and fewer service and finance sector organisations than there might be in the UK as a whole. There has been a marked decline in manufacturing and engineering in recent years, which is first likely to increase concerns about job security and second likely to limit the availability of alternative employment options.

In addition the average length of service was 8.2 years, which according to media sources, is higher than the average length of service of the working population in the UK. Age and length of service affected participants' experience of change for several reasons. First, older employees and those with long service records expressed the strongest desire to retain job security as an element of the psychological contract. Second, some of the older participants were concerned about ageism. If they lost their job with their current employer, the chances of finding alternative employment options were limited. Consequently, participants with long service records and those who perceived alternative job opportunities as limited, were more likely to perceive change unfavourably, especially if it posed as a threat to job security.

There is one final issue concerning the research sample. All of the participating organisations are located in the East Midlands and might not be characteristic of organisations in the UK. Research carried out in other regions might not yield the same results. The findings should not therefore be generalised beyond this geographic region.

The main objective of chapter 8 is to highlight and discuss the influence of these additional variables. However, as the survey did not address such issues, data are limited and confined to interviewees' comments and additional comments made by survey respondents. As such, there is some doubt as to the reliability of the findings from such a small sample. Two recommendations are suggested for further research. First, it is recommended that future studies should recruit a much larger sample that is more representative of the industries and the workforce in the UK. Second data could

be analysed according to the type of industry and length of service and comparisons made across these different groups.

Finally, it is acknowledged that the questionnaire was too long: several respondents commented on the time that it had taken to complete it. Thus, it is feared that some potential respondents might have been deterred from completing it, which might have affected the overall response rate. It is also recognised that the survey attempts to address too many different issues, and thus there are too many variables for the types of statistical analyses that are carried out in this study. Chapter five discusses further some of the implications of the sampling techniques, the length of the survey and consequently the high number of variables that are included in this research.

Conclusions

The aims of this chapter were first to address the questions of whether research methods should be viewed as being bound to different paradigms or merely different methods of investigation and whether both methods could be combined in one study. Second, to present details of the methods of investigation that were chosen and third, to describe how they were carried out.

The chapter began by outlining the philosophical principles underpinning positivism and constructivism. It then examined the debate amongst the 'paradigm purists', the 'situationalists' and the 'pragmatists' as to whether the decision of which methods to use should be a technical or an epistemological one. The linking of paradigms with methods, by 'paradigm purists' implies that methods cannot be combined due to the incompatibility of the paradigms that underlie them. This has encouraged some researchers to choose between quantitative and qualitative methods rather than combine them. Arguments put forth by the 'paradigm purists' were rejected in favour of those put forward by the situationalists and pragmatists who claim that certain methods are more suitable for some situations than they are for others. The choice of methods should be determined by their suitability to answer the research questions. It was argued that researchers should be knowledgeable about epistemological issues

and their implications, but they should consider the advantages and limitations of each method to help decide which one or ones are the most likely to fulfil their research objectives.

In describing the research sequences of this study and presenting details of how the investigations were carried out, this chapter has demonstrated the depth and rigour with which this research was conducted. It has shown how combining quantitative and qualitative methods of research in a single study provides an opportunity to study organization change and the psychological contract from a number of different perspectives. Some of the limitations of employing only quantitative or only qualitative methods have thus been overcome. The final part of the chapter discussed some of the methodological implications of the study

Details of how the data were analysed and the findings are presented in the following chapters. Chapter four examines how the psychological contract is perceived to have changed over recent years and whether there is a new psychological contract based on the notion of employability. Chapters five and six examine participants' experience of a specific change initiative. Chapter five analyses and presents statistical evidence to show the extent to which the model of change reflects participants' experience of change. Chapter six then presents findings, which reveal more about their attitudes towards each stage of the change process. Chapter seven reviews the findings from the different research samples and presents the most significant findings from the entire study.

Chapter 4

The employability debate: rhetoric or reality

Introduction and chapter outline

This chapter, which relates to organisation change and the psychological contract in a more generic sense, was influenced by some of the studies discussed in chapter two. The aim is to address the current debate amongst academics and practitioners concerning the ways in which increased, and alleged continuous, organisation changes over the last decade have impacted on the psychological contract. Data are examined to determine whether there is any evidence to suggest that the current psychological contract is based on employability.

It is anticipated that the findings will have implications for management practice, as there is support amongst some HR practitioners for increasing employee performance, commitment and trust through introducing initiatives which ensure they are more employable.

The first section examines data from the three research samples to determine the scale of changes that participants have encountered over recent years to ensure that they have the relevant experience of organisation change to participate in this study.

In the following section, data are analysed to determine how the psychological contract is perceived to have changed over recent years. The analysis first focuses on what are termed the 'elements' of the psychological contract. It investigates which of elements were perceived to be a part of participants' past and current psychological contract. Comparisons are made between the two. These perceived changes are then explored in more depth through analysing the qualitative data.

Whilst there are some interesting differences both between and within the three groups of participants, overall, the findings indicate that whilst psychological contracts have undergone some significant changes, many participants remain attached to the idea of job security with their current organisation as opposed to developing their career with several different ones. They also show that generally, HR initiatives, which might encourage employees to take responsibility for managing their own careers, are absent from many organisations. There is little evidence to suggest that employability underpins the majorities' current psychological contract

Analysis of data and presentation of findings

In studies that combine quantitative and qualitative methods of research, the findings are usually presented separately. In this study, when there is both quantitative and qualitative evidence relevant to a particular issue, they will be presented together. Generally, the quantitative results will be presented first, in the form of tables, followed by examples of verbatim quotes. Presenting both types of findings together demonstrates the benefits of combining methods of research. It shows the advantages of the survey for identifying general trends and the advantages of qualitative methods for exploring some of the issues in more depth. Overall, it provides a more holistic view of the phenomenon being investigated. From a practical perspective, it eliminates the need to refer back to one set of findings when presenting the other. The reader can see at a glance what the most significant issues are.

Finally, as this, and subsequent chapters incorporate data from all three research samples, it is necessary to present the findings in a comprehensive and accessible format. In this chapter, the findings for each sample will be presented separately, for each section of the chapter, starting with the aggregate group, followed by Shaw Group and then Loamshire Constabulary. As discussed in the methodology chapter, the responses of police officers and civilians differed significantly on a number of issues and where this is the case, the findings from these two groups will be presented separately.

Throughout the chapter, brief references are made to the similarities and differences both within and between groups, but a more detailed discussion will be delayed until the findings from all three groups have been presented.

How widespread is organisation change?

The widespread nature of change and the implications for employees has been discussed extensively in chapters one and two. There is little, if any evidence to suggest that the pace will ease and/or that employees find it easier to cope with. Nevertheless, it was important to ensure that this research sample had the relevant experience of organisation change to take part in this study. For example, the survey and interview questions were based upon assumptions that first, respondents had experienced changes at work, and second, these had impacted on their jobs and behaviours and/or attitude towards their organisation.

This section presents details of the scale of organisation changes experienced by participants. It also includes details of what respondents perceive as the main driving forces for change and the types of change initiatives they have experienced in the previous three years.

Aggregate group

Scale of change

Table 4.1 shows that 91% of the aggregate group had experienced 'a great deal' of change over the last three years. Over 60% indicated that their job had changed and the workload had increased 'a great deal'.

Table 4.1 Scale of organisation change. Aggregate group			
	A Great deal	Some	None at all
How much change has there been in your organisation within the last three years?	91%	7%	0%
How much has your own job changed within the last three years?	63%	31%	3%
How much of an increase has there been in the workload in the last three years?	61%	28%	8%

Driving forces for change

Interviewees' comments (table 4.2) provide an indication of the types of pressures upon organisations to change. Continuous developments in technology, increasing customer demands and competition, especially from overseas, were perceived as the main driving forces. Organisations were described as less hierarchical and bureaucratic and more 'customer focused'. Many change programmes had involved restructuring, delayering or downsizing and job losses had occurred in most organisations

Table 4.2 Driving forces for change
'The organisation realised it needed to reorganise itself. It needed to be more customer focused and competitive as the NHS contracted out work and used different suppliers. We became less bureaucratic and hierarchical' (Manager, NHS supplier).
'What forced changes was when building societies got banking licenses and offered the same services more competitively. The bank had to gear itself to come up with what the client needed more rapidly ' (IT dept. Bank)
'We had the market place under our control. We could sell everything we made and we dictated what customers could have. We treated them very badly, and that came back to haunt us. We were forced to change and compete with the rest of the world' (Personnel manager, engineering)
'There were too many broadcasting companies competing for the same business and the company was restructured in 1993 and then there was a merger in 1997. (Personnel assistant, TV company)
'There was so much pressure to reduce overheads because fierce competition reduced profits. There were wage reductions, a ban or at least a reduction on overtime and annualised hours, were introduced'. (Engineer, container supplier)
'We were going through an identity crisis. We merged with our French competitors to gain more structure. But they drove the company, so there were lots of job losses at senior management level'. (Financial adviser, engineering)
'There was a major restructuring of the company, which was about changing the organisation culture, and the attitudes of employees'. (Administrator, book publisher)
The main reason for change in this company is new technology. We just don't seem to be able to keep up to date. (Software programmer, bank)

Shaw Group UK

Scale of change

Table 4.3 reveals that 100% of survey respondents from Shaw Group had experienced 'a great deal of change' over the last three years. Their jobs had changed more than the aggregate group. However, the workload had increased less, an expected finding given the amount of work when this research was conducted.

Table 4.3 Scale of change at Shaw Group			
	<i>A Great deal</i>	<i>Some</i>	<i>None at all</i>
How much change has there been in your organisation within the last three years?	100%	0	0
How much has your own job changed within the last three years?	86%	5%	0
How much of an increase has there been in the workload in the last three years?	45%	32%	23%

Driving forces and types of change

Brief details of Shaw Group’s history and background were presented in the previous chapter and a more detailed discussion can be found in the appendix. These show the pressures or driving forces on Shaw Group to introduce organisation change and the types of changes that employees have encountered. In summary, the company has operated in a turbulent and unstable environment since the early 1990s. Participants employed by the company during this time, have experienced a series of take-overs, mergers and restructuring in attempts to save the factory from closure. They have witnessed many changes to the senior management structure; all have brought new ideas, which have subsequently led to changes to the organisation. They are familiar with downsizing and similar initiatives to reduce costs. However, introduction of new technology has been minimal.

Loamshire Constabulary

Scale of change

Tables 4.4 shows the scale of change that police officers and civilians have experienced.

Table 4.4 Scale of organisation change at Loamshire Constabulary			
	A Great deal	Some	None at all
How much change has there been in your organisation within the last two years?	88%	12%	0%
How much has your own job changed?	68%	27%	5%
How much of an increase has there been in the workload?	80%	20%	0%

Consistent with the findings for the aggregate group and Shaw Group, the majority (88%) had experienced a 'great deal' of change. There were no significant differences between civilians and police officer.

Driving forces for change

Unlike Shaw Group and many participants in the aggregate group, who suggested that the first major changes had started in the late 1980s early 1990s, Loamshire Constabulary had remained relatively unchanged for a number of years. However, as one interviewee commented:

'We like so many other organisations have gone down this road of flattening out the structure, particularly in middle tiers of management. We have 17 superintendents on the force now, which is a handful compared to before, likewise with chief inspectors' (Superintendent, call handling)

These changes in organisational structure show that Loamshire Constabulary have adopted the same strategy as some larger organisations in the private sector through removing layers of management and thus reducing overhead costs. In other words, the changes that Loamshire encountered in more recent years are consistent with many of the changes described by the aggregate group and Shaw Group. It is interesting to note that only 59% of police compared to 100% of civilians perceived restructuring as part of changes. The findings also reveal that 78% of civilians but only 9% of police indicated that changes had involved redundancies. These differences will be explored in more depth later in the chapter and throughout the thesis.

From these findings (table 4.2 - 4.4), it was concluded that the majority had the relevant experience of organisation change to participate in these investigations. They also support claims made by some writers concerning the scale of change.

Changes in the psychological contract

This section examines whether and in what ways participants perceive their psychological contracts as having changed over recent years, how any such changes were perceived and the extent to which the rhetoric of employability had translated into practice.

Before presenting and discussing the findings, it is first necessary to address some definitional and methodological issues, which have implications for the way in which the findings are interpreted.

The first was discussed in chapter two and concerns whether the psychological contract should be considered only in terms of 'perceived mutual obligations' and not 'expectations' or 'promises'. As suggested, the terms are frequently used interchangeably in research papers and to use only Rousseau's definition (perceived mutual obligations) may be too restrictive. For example, in the reality of organisation life, employees might not interpret 'obligations' in the same way as Rousseau (Arnold, 1996). 'Perceived mutual obligations' could be a difficult concept to grasp for anyone unfamiliar with psychological contract research and as such, it would be difficult to respond to this line of questioning.

However, whilst it is argued that perceived 'obligations', 'expectations', and 'promises' should all be considered as acceptable terms in research, the context in which they are used in psychological contract studies, and how survey/interview questions are framed, needs to be clarified. For example, if an employee was simply asked to describe their 'expectations' of their organisation, this might well be interpreted as their 'ideal expectations'; what they might desire in an ideal world. Their answers would, therefore, be unlikely to provide us with information about how their psychological contact is perceived. In this study, caution was exercised when asking about 'expectations'. Both the survey and interview questions asked: 'What did/do you expect from your organisation in terms of what you perceive they have promised

or are obliged to provide? In the interviews, there was opportunity to clarify and rephrase the question to ensure that interviewees were not speaking about what they would ideally like.

The second point is to clarify some of the terminology used to describe the components/elements/constituent parts of the psychological in this study. All of these terms, and more, have been employed in previous psychological contract research. This thesis uses the term 'elements of the psychological contract' and survey respondents and interviewees were questioned about 'aspects of their work'.

Third, tables are presented throughout this chapter, which compare respondents' perception of their psychological contract at the time of joining their organisation with their perception of it currently. The wording of these questions brings us to a methodological issue, and a weakness of this study, that should be acknowledged here. Whilst all participants had a minimum of five years with their organisation, it is accepted that 'the time of joining' will differ significantly amongst this sample. This has significant implications for the findings if, for example, one respondent is thinking in terms of five years and another in terms of fifteen. Furthermore, it raises the question of whether perceived changes in the psychological contract can be reliably attributed to the increase in organisation changes? In retrospect, confidence in these findings would be significantly higher if respondents were asked to reflect back to a specific point in time. These findings therefore, should be treated with caution; they serve only as a general indicator of how psychological contracts are perceived to have changed.

That being said, interviewees in the aggregate group were asked to identify at what point their organisation began to introduce significant changes and when they began to notice the impact on their own jobs. Their comments indicate that psychological contract changes have taken place, that are similar to those shown in the following tables, especially in terms of job security and promotion prospects. They also suggest that noticeable changes occurred only within the last decade. Furthermore, evidence

from participants with long service records suggests that prior to that, the psychological contract had remained relatively stable.

At Shaw Group there were more opportunities to investigate this further, especially as the average length of service was so high. Interviewees' comments also appear to suggest that until the series of take-overs began, the psychological contract had remained relatively stable, with job security and steady career progression being key features. Furthermore, as research was carried out over two years, it was possible to investigate how the psychological contract might be affected by organisation changes. Findings from Loamshire Constabulary also support the assumption that, until recent years the psychological contract remained relatively stable. Nevertheless, future research should consider the wording of these questions carefully to ensure that responses can be compared more reliably.

Presentation of findings

For each research sample, a table is presented which compares respondents' perception of their psychological contract at the time of joining with their current psychological contract. In each table:

Column one lists elements of the psychological contract that have been cited in previous psychological contract studies, or were suggested by pilot study interviewees.

Column two shows the percentage of respondents indicating that each element was perceived as part of their psychological contract at the time of joining the organisation.

Column three shows the percentage of respondents indicating that each element was perceived as part of their current psychological contract

Column four shows the percentage change between perceptions at the time of joining and current perceptions.

To get an indication of the extent to which participants were satisfied with their current psychological contract, they were asked (1) which elements (aspects of work) of their current psychological contract they most valued and (2) whether there were any that ideally, they would have preferred to retain. As these were open-ended questions, the number of elements listed by respondents varied. Some ignored the question. The figures in these tables refer to the number of times each element was cited rather than a percentage.

Finally, this chapter draws upon the qualitative data to investigate further the longer term effects of continuous changes on the psychological contract and more importantly, how participants' perceive any such changes.

Aggregate group

Table 4.5 Comparison of the psychological contact at the time of joining with the current psychological contract.			
1	2	3	4
	Perceived as element of psychological contract at time of joining	Perceived as element of psychological contract currently	Percentage change
Satisfaction from the nature of the job itself	74%	59%	-15%
Job security	63%	29%	-34%
To gain more experience	61%	48%	-13%
Promotion prospects	54%	23%	-31%
Reliable organisation to work for	51%	27%	-24%
Part of a long term career plan	43%	27%	-16%
Good salary comparatively speaking	42%	27%	-15%
Provision of training and development	35%	38%	+3%
Fits in with family/other commitments	32%	36%	+4%
Respect and fair treatment of employees	32%	26%	-6%
Close to home - convenience of location	29%	28%	-1%
Responsibility	29%	46%	+17%
A stepping stone to a career with another organisation	20%	16%	-4%
Good working relationships with colleagues	19%	46%	+27%
High profile organisation, experience of working here would look good on a CV	19%	21%	+2%
The only job available	11%	8%	-3%

n = 268

Table 4.6 Elements of the current psychological contract most valued	
	No of responses
Experience gained	72
Nature of the job/satisfaction	68
Responsibility	64
Colleagues/friendly environment	44
Training	36
Promotion/promotion prospects	22

Table 4.7 Elements of the ‘old’ psychological contract prefer to retain	
	No of response
Job security	78
Promotion prospects/more definitive career structure	66
Fairer rewards, more incentives	58
Treating employees fairly	65
Reliable organisation	58
More guidance, clearer objectives, clarity of roles	41
Value employees	41
Salary in relation to efforts	35
Support and encouragement from management	29

The findings presented in tables 4.5 – 4.7, show that:

'Satisfaction from the nature of the job' and 'gaining experience' were perceived as elements of the psychological contract both at the time of joining and at present. There have been only slight changes. Furthermore, table 4.6 shows that these two elements were the most valued.

Only 19% perceived relationships with colleagues as an element of the psychological contract at the time of joining whereas 46% perceived it as such at present: an increase of 27%. Forty-four respondents indicated that 'colleagues and a friendly environment' were elements that were most valued.

29% perceived 'responsibility' as an element of the psychological contract at the time of joining compared to 46% at present: an increase of 17%. It was also an element which respondents valued the most.

'Respect and fair treatment of employees' was perceived as an element of the psychological contract by 32% at the time of joining and 26% at present (a change of only 4%), yet, 55 respondents indicated that it was an element they would prefer to have retained.

'Fairer rewards, more incentives', 'salary in relation to efforts' and 'support and encouragement from management' were not presented as options. Nevertheless, approximately a third indicated that they were elements they would prefer to have retained.

The most significant changes were 'job security', 'promotion prospects' and 'reliability of the organisation'. They were also elements which respondents would prefer to have retained. Sixty three percent indicated that job security was as an element of the psychological contract at the time of joining, whereas only 29% indicated that it was currently so: a decrease of 34%. Seventy eight respondents would like to have retained 'job security'. Similar changes were shown for promotion prospects. Fifty four percent at the time of joining compared to 23% currently: a decrease of 31%. Sixty six respondents would

prefer to have retained it. Fifty one percent indicated 'reliability of the organisation' was an element at the time of joining compared to 27% at present and 58 respondents would prefer to have retained it.

Finally, issues associated with the concept of employability, such as 'a stepping stone to another organisation' and 'high profile organisation, working here would look good on a CV' did not feature as an element of the psychological contract either at the time of joining or at present.

Interviewees' comments illustrate how their perceptions of their psychological contracts have changes

Psychological contract on joining

'People who joined this organisation wanted a safe progression, and the civil service offered that. It was very hierarchical and the next step up was very clear' (Administrator, Benefits agency)

'Going back to when I joined, the organisation was very paternalistic, it looked after you, you felt secure, the word redundancy wasn't in my vocabulary'. (Personnel manager, container manufacturer)

'So, there was this natural stepladder that you worked up. You basically had your career mapped out and it was up to you how far you went'. (IT manager, Bank)

'When I first started working at ..., everyone had been there forever, or they expected to be there forever'. (Engineer, Telecommunication)

Current psychological contract

'I've reached the point where there's nowhere else I can go. The promotion prospects have reduced radically and there's the added fear of losing my job'. (Engineer, manufacturing)

'There's no guarantee of a future with the bank anymore, at least in terms of career progression' (Training manager, bank)

'Pay structures were much clearer in the past, now its all performance related pay and you get promotion by changing your job title, rather than actually changing jobs (HR manager, engineering)

'People in my company have a much more short-term attitude towards their jobs. It's a two-way thing, you bring your skills and you gain experience to keep them up to date'. (Programmer, IT)

These changes are consistent with some of those identified by other researchers. The following interview comments suggest that some interviewees, especially graduates and those employed in certain industries, such as, information technology (IT) and finance, embraced the changes.

'I see myself as staying with the company for as long as I need them and they need me. There's plenty of jobs in this industry. It's accepted by the company and people who want to move on don't need to be secretive about it'. (IT consultant, bank)

'Commitment today is different. It's not the paternalistic commitment where people work hard because they expected to be looked after. You give everything you've got and they develop you in return. I wouldn't want to feel tied to one company' (Graduate recruit, manufacturing)

'In my industry (IT) we expect to move around, if you don't then you expect limited success'. (Project co-ordinator, IT company)

Nevertheless, interviewees' comments suggest that many employees were not entirely satisfied with these changes.

'People that have been here a while accepted lower pay compared to the private sector, because they wanted the security; that's why they chose it. The organisation is much more efficient, but people find it hard to cope without job security'. (Manager, civil service)

'The message today is that there's no job security and you have to move around. But my skills wouldn't be valuable anywhere else. I read in the paper that companies are investing huge amounts in development and training, there isn't any sign of it here though'. (Clerical assistant)

I've just come back from a course where some 'big wig' was spouting that to increase performance and commitment we need to develop our employees and increase their chances of finding jobs. I can't see that happening here, if we could afford it we wouldn't be cutting jobs' (Personnel manager, engineering)

In summary, these findings have shown how continuous organisation changes over recent years have impacted on the psychological contracts of the aggregate group. Empirical evidence suggests that some of the younger participants and those employed in certain industries, such as IT and telecommunications, expected to move to different organisations. They saw their relationship with their current organisation as one in which they exchanged hard work, commitment and loyalty for experience. However, many participants remain attached to elements of the 'old' psychological contract, especially job security and a definitive career path. They did not regard their organisation as a 'stepping stone' nor did they see it as experience to add to their CV. This is inconsistent with the notion of 'employability', which asserts that employees can expect to have multiple careers and more responsibility for assessing and designing their careers. Furthermore, there were few examples of to show that organisations in the aggregate sample are investing in training and development to increase employability opportunities.

Shaw Group

Table 4.8 shows how the psychological contracts of participants from Shaw Group are perceived to have changed over recent years.

Table 4.8 Comparison of the psychological contract at the time of joining with the current psychological contract			
1	2	3	4
	Perceived as element of psychological contract at time of joining	Perceived as element of psychological contract currently	Percentage change
Satisfaction from the nature of the job itself	72%	57%	-15%
Job security	65%	7%	-58%
To gain more experience	50%	42%	-8%
Reliable organisation to work for	47%	7%	-40%
Close to home – convenience of location	45%	45%	0%
Promotion prospects	38%	28%	-10%
Provision of training and development	42%	20%	-22%
Part of a long term career plan	40%	22%	-18%
Good working relationship with colleagues	37%	57%	+20%
Fits in with family/other commitments	35%	40%	+5%
Good salary comparatively speaking	32%	30%	-2%
Respect and fair treatment of employees	45%	27%	+2%
High profile organisation, experience of working here would look good on a CV	25%	20%	-5%
Responsibility	22%	57%	+35%
A stepping stone to a career with other organisations	16%	17%	+1%
The only job available	15%	10%	-5%
Promotion	12%	5%	-7%

Table 4.9 reveals which elements of the current psychological contract participants valued the most valued and table 4.10 those which ideally they would have preferred to retain. The figures refer to the number of times each element was referred to as opposed to a percentage.

Table 4.9 Elements of the current psychological contract most valued	
	<i>No of responses</i>
Nature of the job/satisfaction	38
Experience gained	34
People worked with	38
Responsibility	25
Fitting in with family	28
None	17
Job security - until recently	16

Table 4.10 Elements of the 'old' psychological contract prefer to have retained	
	No or responses
Job security	38
Clearer company objectives	36
More definitive career structure, guidance on development	18
Better training provision	32
Treat employees with fairness and consideration	28
Reliability of the organisation	26
More contribution rewards from the company	22
Better communication	18
Better salary	14

Tables 4.8 – 4.10 show that

- 75% perceived ‘the nature of the job’ as an element of the psychological contract at the time of joining. Whilst there has been a decrease of 15%, 57% still perceive it as such. Furthermore, job satisfaction was an element of the current psychological contract that was valued.

- 'Responsibility' was perceived as an element of the psychological contract by only 22% at the time of joining compared to 57% currently; an increase of 35%. It was also an element that participants valued.
- Whilst only 37% perceived 'good working relationships with colleagues' as an element of the psychological contract at the time of joining, 57% currently perceived it as such. Furthermore it was an element that they valued the most.
- 'Part of a long term career plan' was perceived as an element of the psychological contract by 40% on joining, compared to 20% currently. 38% perceived 'promotion prospects' as an element at the time of joining compared to 28% currently. 32 respondents would ideally prefer to have retained 'a more definitive career structure and guidance on development'.
- 47% perceived 'reliability of the organisation' as an element of the psychological contract on joining, whilst only 7% perceived that it was currently so. 26 employees would prefer to have retained this element.
- 45% perceived 'treating employees fairly' at the time of joining compared to only 27% currently and 28 respondents would like to have retained this element.
- 'Job security' was perceived as an element of the psychological contract for 65% on joining whilst only 7% currently perceived it as such. A decrease of 58% (compared to a decrease 34% for the aggregate group). Furthermore, 16 respondents indicated that it was something they most valued until recently and 38 would prefer to have retained it.
- 42% perceived 'training provision' as part of the psychological contract on joining compared to 20% currently. 16 respondents would ideally prefer to have retained training provision.

- Only the minority (16%) perceived ‘a stepping stone to another organisation’ as an element of the current psychological contract. And only 21% (compared to 20% at the time of joining) indicated that ‘the experience would look good on a CV’

Comments from interviewees also suggest that there is a strong desire (more so than for the aggregate group) for many employees to return to a psychological contract based on job security. A number of interviewees were concerned about the lack of training; which over recent years had been confined to health and safety issues only.

‘The training budget doesn’t exist any more. At one time we could compete with Rolls Royce on that. They would be our option if we got the push, or wanted to leave, but our skills are becoming outdated. Soon they won’t want us. (Machine operator)

However, whilst eighteen respondents would like more guidance on career development, interviewees did not appear as concerned about this as they were about job security and a better understanding of ‘where the company was going’.

‘Lack of certainty is a concern for us all. It isn’t just the shop floor, but the managers find it difficult to cope with as well’ (Personnel manager).

Evidence suggests that many employees would be content to continue doing their current job if the organisation’s objectives were clearer and they felt that they had a future with it. It also suggests that the cultural differences between the former Aiton and Dunn International employees influenced how changes in the psychological contract were perceived. To serve as a reminder, Aiton and Dunn International were originally two separate companies before they were taken over and merged to form a subsidiary of a larger company. The cultures of the original companies were significantly different; Aiton were described as ‘very traditional and not used to change’ and Dunn International as ‘a bit rough and ready, more used to temporary contracts and changes’. The implications of these differences on participants’ experience of change become more apparent in later chapters.

‘Some of them find the insecurity difficult to cope with. It’s not just job security, it’s dependability, they knew they could rely on Aiton. The lads on the shop floor don’t have career aspiration, they’re happy to do their job

and go home. They just want to know the company would be there until they retired. They aren't interested in getting involved; they accepted this old fashioned autocratic style of management. As long as they knew that the orders kept coming in, that's all that bothered them' (Procurement director)

'I worry about the uncertainty of it all, even though we've been down this road before, it's not any easier for me. I like this job and used to be proud of the company. I know some of the Dunn people might laugh at me but one, I'd like to stay here and two, I don't know where else I would go'. (Machine operator, manufacturing)

'I work out on site and if I got laid off again the only difference would be that I'd go to another company rather than come back here. I quite like it here, but maintenance is maintenance' (Site worker, construction division – former Dunn employee).

In summary, job security was less likely to be perceived as an element of the psychological contract, but many respondents remain attached to the idea of working for Shaw Group for the remainder of their career. They did not regard their jobs as a 'stepping stone to a career with other organisations' or see it 'as a high profile organisation which would look good on a CV'. In truth, it was suggested that many employees lacked career ambition at all; they were content to continue with their current job for the rest of their career. Therefore, it is unlikely that they will perceive themselves as having multiple careers with several different organisations. Finally, opportunities for training and development to enhance the probability of gaining alternative employment did not exist.

Despite the continuous reduction of the workforce over recent years, some employees have not been able to accept and adjust to the fact that job security can no longer be guaranteed. Evidence (presented in chapter 6) shows how this was a key factor influencing their experience of the changes surrounding the take-over.

Loamshire Constabulary

Table 4.11 shows how police officers’ and civilians’ psychological contracts have changed. Overall, there was little difference between the responses of police officers and civilians; the figures represent the combined data. Table 4.12 highlights any differences.

Table 4.11 Comparison of the psychological contact at the time of joining with the current psychological contract (1).			
1	2	3	4
	Perceived as element of psychological contract at time of joining	Perceived as element of psychological contract currently	Percentage change
Satisfaction from the nature of the job itself	71%	50%	-21%
Better salary compared to other organisations	50%	37%	-13%
Reliable organisation to work for	50%	21%	-29%
Close to home – convenience of location	33%	17%	-16%
To gain more experience	33%	12%	-21%
Provision of training and development	29%	21%	-8%
Good working relationships with colleagues	21%	46%	+25%
A stepping stone to a career with another organisation	17%	12%	-5%
It was/is an organisation that treats employees fairly	17%	4%	-13%
High profile organisation, experience of working here would look good on a CV	17%	12%	-5%
Fits in with family/other commitments	12%	25%	+13%
It was/is the only job available	4%	8%	+4%

Table 4.12 Comparison of the psychological contact at the time of joining with the current psychological contract (2)							
	Police				Civilians		
	Perceived as element of pc at time of joining	Perceived as element of pc currently	Percentage change		Perceived as element of pc at time of joining	Perceived as element of pc currently	Percentage change
Job security	100%	90%	-10%		100%	29%	-71%
Part of a long term career plan	74%	57%	-17%		65%	20%	-45%
Promotion Prospects	60%	50%	-10%		57%	14%	-43%
Responsibility	60%	65%	+5%		14%	64%	+50%

Tables 4.11 and 4.12 indicate that:

- A higher percentage of both groups perceived ‘good working relationships with colleagues’ as an element of the current psychological contract than they did at the time of joining.
- ‘Reliability of the organisation’ was less likely to be perceived as an element of the current psychological contract than it was at the time of joining.
- 100% of both groups regarded job security as an element of their psychological contract on joining. 90% of the police but only 29% of civilians indicated that it remained as such.
- 57% of police and 60% of civilians regarded promotion prospects as an element of their psychological contract on joining. 50% of police officers but only 14% of civilians indicated that it remained as such. Furthermore, whilst both groups perceived ‘part of a long term career plan’ as part of the psychological contract at the time of joining, 57% of police officers compared to only 20% of police officers still perceived it as such.

- 14% of civilians perceived 'responsibility' as an element of the psychological contract at the time of joining compared to 64% currently. Approximately 60% of police officers perceived 'responsibility' as an element of the psychological contract at the time of joining and currently.
- Finally, neither police officers nor civilians perceived issues associated with the concept of employability, such as 'a stepping stone to another organisation' and 'high profile organisation, working here would look good on a CV' as elements of the psychological contract either at the time of joining or currently.

As with the aggregate group and Shaw Group, participants were asked to indicate which elements they most valued and which ideally, they would prefer to have retained. Due to the volume of data generated by these questions, the findings are summarised.

- 'Responsibility', 'relationships with colleagues' and 'experience gained' were elements of the current psychological contract that both groups valued.
- 'Reliability of the organization', 'treating employees fairly' and 'rewarding efforts' were elements that ideally they would prefer to have retained.
- 'Training and development', 'job security', 'promotion prospects' and 'part of a long term career plan' were elements that police officers valued. They were also those, which ideally civilians would prefer to have retained. Whilst these were not presented as options on the survey, civilians indicated that ideally they would like better communication and clearer objectives.

Consistent with these findings, civilian interviewees expressed their concerns about the changes in level of job security and promotion prospects.

'I've worked as a civilian for over fifteen years and there's much less job security. This is all new to us and some of us find it difficult to cope with'. (Assistant support manager)

'Working for the police has become like any commercial organisation; you don't know if your job will be safe in six months. Now that's not something the police have to contend with'. (Admin assistant)

'Promotion prospects aren't that good for civilians, especially since we've fewer areas. We're expected to move around like police officers, but we don't get rewarded with promotion. The top jobs go to police officers, even in areas where civilians do most of the work. (Training co-ordinator)

Police officers on the other hand are still guaranteed job security and promotion opportunities; misconduct remains the only grounds for dismissal from the force.

'The force has always been a paternalistic organisation that looks after its people. Job security is a major concern for many people today, but it's not something police officers worry about. By and large, it still offers a good career'. (Inspector, training)

'We've got this incapability legislation coming where we should get rid of under performing officers. But, unless you do something really bad, you've got a job for life. It's still protected in that way'. (Sergeant, LPU)

'Officers are very fortunate, the facilities aren't there to downgrade us or make us redundant. It's easier for us to accept change' (Traffic warden manager)

These findings show that whilst civilians have experienced some significant changes in their psychological contracts, police officers have experienced relatively few. However, as the following paragraphs illustrate, there was no evidence to suggest that employability was perceived as a feature of either group's current psychological contract.

Civilians expressed a desire to return to the 'old' psychological contract and they found the uncertainty, which was mainly attributed to the review, difficult to cope with. Furthermore they were no more likely to regard their jobs as a 'stepping stone to a career with other organisations' or see it 'as a high profile organisation which would look good on a CV' than they did at the time of joining.

Less than 30% perceived training and development as part of their psychological contract and several interviewees spoke about civilians' limited career opportunities.

'There's little opportunity for support staff to expand; unlike the police who have a basic training programme, and then continue to train, civilians are recruited for a specific position' (Chief inspector, support)

'There aren't many development opportunities'. (Administrator, personnel)

These findings would suggest that Loamshire Constabulary has not compensated for the loss of security and by providing opportunities to improve employability prospects with other organisations.

In addition, it was found that a number of civilians were not in a position to be flexible and pursue a career path, either with Loamshire or any other organisation. They had chosen to work for Loamshire because it fitted their commitments outside of work.

'It might not sound much but some of them didn't have cars and they'd taken the job because it fitted in with their families and was close to home or on a bus route. . (Support manager)

Police officers' psychological contracts remained consistent with the 'old' psychological contract. They were still guaranteed job security and regular promotion prospects and the majority saw their long term future with Loamshire Constabulary. Furthermore, several officers claimed that security was something that they valued and a reason for joining and remaining with the force.

'The changes that have happened in the force are the same as those that have happened in society. But overall, it offers a great deal of security. You know where you are with the force. Police officers are still proud of what they do and it's reflected in how hard they still work'. (Chief superintendent)

'Police officers still join as a career, and they're still proud to be part of the force'. (Sergeant, operations)

Although Guest has suggested in a number of publications that the 'old' psychological contract is 'still alive and surprisingly well' evidence from this and previous studies has shown otherwise. It is suggested that the police, and possibly some other

professions, might represent unusual examples. There are several factors, which distinguish police officers and the police force from the much of the workforce and the majority of organisations.

From an organisational perspective, few organisations can guarantee either job security or regular promotion opportunities. Whilst the police force faces some of the same external pressures as other organisations, such as the need to cut costs, the public's need for the services they provide seems to be increasing rather than decreasing. From an employee's perspective, it might be argued that police officers regard their jobs as a vocation and they are more attached to their profession and the service they provide. Interviewees commented that 'police work is a way of life'. One might speculate that the same findings would emerge in similar public sector organisations such as parts of the National Health Service or education. The need for the services provided by doctors, nurses and teachers is increasing and employees working in these types of organisations are more likely to see their long term career as bound to their profession. They are, therefore, relatively secure in their employment. This might however, have an effect on employees who provide support to these professionals who do not enjoy the same levels of security. Examples of interviewees' comments presented above support this suggestion. It was clear that civilians found it difficult to accept that their police colleagues, whom they worked alongside, often doing exactly the same job, had not experienced the same changes to their psychological contracts.

Similarities and differences between research samples

Before discussing the conclusions that were drawn from these findings, a brief overview of the similarities and differences between the research samples is presented below. Table 4.13, which shows the survey findings for the aggregate group, Shaw Group and Loamshire Constabulary shows that:

- All of the research samples were less likely to perceive 'satisfaction from the nature of the job itself' as an element of the psychological contract
- The aggregate group, Shaw Group and civilians were less likely to perceive job security as an element of the psychological contract. However, it was an element that they would prefer to have retained. Shaw Group appeared to be the most concerned, especially the ex-Aiton employees; they held long service records and alternative employment opportunities were limited. Police officers, on the other hand, indicated no change in job security. It was still perceived by the majority as an element of their psychological contracts and furthermore, it was something which they valued.
- There was a decline in the percentage of participants, in all four groups, who perceived 'promotion prospects' as part of their psychological contract. The greatest decline was for the aggregate group and civilians. There was little change for either Shaw Group or police officers. However, whilst a relatively high percentage of police officers perceived 'promotion opportunities' as part of their psychological contract (60% at the time of joining and 50% currently), only approximately a third of Shaw Group indicated that this was a part of their psychological contract either at the time of joining or currently.
- There was a percentage decrease for all three groups in 'reliability of the organisation', but this was particularly high for Shaw Group.
- There was a slight decrease in 'provision of training and development' for the aggregate group, police officers and civilians; 21% of both police officers and civilians and 38% of the aggregate group perceived this element as part of their current psychological contract. The decline in provision of training and development for Shaw Group was the highest.
- Responsibility had increased significantly for the aggregate group, Shaw Group and civilians. There was little change for police officers; it was perceived by almost two thirds of this group as an element at the time of joining and currently.

- ❑ Only the minority in all four groups was likely to perceive 'the organisation as a stepping stone to a career with another organisation' either at the time of joining or currently.
- ❑ There was a significant increase, in all four groups, of the percentage of participants indicating that 'good working relationships with colleagues' was an element of their psychological contract.
- ❑ Finally, despite concerns about job security and lack of alternative employment opportunities, only the minority (less than 10% for any of the groups) indicated that 'it was the only job available'.

Table 4.13 Comparison of the findings for all three research groups												
	Perceived as element of psychological contract at time of joining				Perceived as element of psychological contract currently				Percentage change			
	Aggregate	Shaw Group	Police	Civilians	Aggregate	Shaw Group	Police	Civilians	Aggregate	Shaw Group	Police	Civilians
Satisfaction from the nature of the job itself	74%	72%	71%	71%	59%	57%	50%	50%	-15%	-15%	-21%	-21%
Job security	63%	65%	100%	100%	29%	7%	100%	29%	-34%	-58%	-10%	-71%
To gain more experience	61%	50%	33%	33%	48%	42%	12%	12%	-13%	-8%	-21%	-21%
Promotion prospects	54%	38%	60%	57%	23%	28%	50%	14%	-31%	-10%	-10%	-43%
Reliable organisation to work for	51%	47%	50%	50%	27%	7%	21%	21%	-24%	-40%	-29%	-29%
Part of a long term career plan	43%	40%	74%	65%	27%	22%	57%	20%	-16%	-18%	-17%	-45%
Good salary comparatively speaking	42%	32%	50%	50%	27%	30%	37%	37%	-15%	-2%	-13%	-13%
Provision of training and development	35%	42%	29%	29%	38%	20%	21%	21%	+3%	-22%	-8%	-8%
Fits in with family/other commitments	32%	35%	12%	12%	36%	40%	25%	25%	+4%	+5%	+13%	+13%
Respect and fair treatment of employees	32%	45%	17%	17%	26%	27%	4%	4%	-6%	+2%	-13%	-13%
Close to home - convenience of location	29%	45%	33%	33%	28%	45%	17%	17%	-1%	0%	-16%	-16%
Responsibility	29%	22%	60%	14%	46%	57%	65%	64%	+17%	+35%	+5%	+50%
A stepping stone to a career with another organisation	20%	16%	17%	17%	16%	17%	12%	12%	-4%	+1%	-5%	-5%
Good working relationships with colleagues	19%	37%	21%	421%	46%	57%	46%	46%	+27%	+20%	+25%	+25%
High profile organisation, experience would look good on a CV	19%	25%	17%	17%	21%	20%	12%	12%	+2%	-5%	-5%	-5%
The only job available	11%	15%	4%	4%	8%	10%	8%	8%	-3%	-5%	+4%	+4%

Discussion and Conclusions

The chapter examined organisation change and its effects on the psychological contract in a broader, more general sense to determine whether and in what ways psychological contracts' are perceived to have changed over recent years. It also investigated whether, as suggested by some researchers, 'employability' is a key feature of the 'new' psychological contract.

The findings revealed some significant changes in the psychological contract over recent years, and excepting Guest (1997, 2000) who claims that job security remains an important feature for many employees, these findings are consistent with many authors. There is however, little evidence to suggest that employability underpins the current psychological contract. There appear to be several reasons why the concept of employability has not translated into anything meaningful.

Attachment to job security

The majority of participants from the aggregate group, Shaw Group and civilians indicated that 'job security' and 'promotion prospects' were less likely to be perceived as part of the current psychological contract. According to Sims (1994) and a number of other researchers who remain optimistic about employability, 'employees understand that they can expect to have multiple careers'. However, many participants, from all the research samples, remained firmly attached to the idea of job security and promotion prospects with their current organisation rather than with several different ones. Furthermore, many participants, especially from Shaw Group, found the lack of security difficult to cope with.

In addition, if participants had accepted that they could expect multiple careers with different organisations, it would be expected that they would be more likely to regard their organisation as 'a stepping stone to another organisation' or as 'providing experience that would 'look good on a CV'. However, these were no more likely to be perceived as elements of the current psychological contract than they were in the past. It is unlikely that employees who are firmly attached to job security will

embrace the notion of employability.

Evidence from Loamshire further reinforced the importance of job security for many employees. It was shown that police officers' psychological contract were still based on the idea of 'hard work, commitment and loyalty in exchange for job security and a clear promotion structure'. Furthermore, it was clear that they valued these factors, which were part of the reason for joining and remaining with the police force. Many officers transfer to other regional forces, but the majority remains in the profession and they usually seek alternative employment only when they retire. Furthermore, police work is usually perceived as more than a job; it is perceived as a way of life. It is difficult to imagine how the concept of employability would relate to occupations such as the police where there is such a firm attachment to the profession.

On the other hand, the findings revealed how civilians' psychological contracts, in terms of 'job security' and 'promotion prospects' had been affected, and how they found these changes difficult to accept. It is also clear that civilians' dissatisfaction with the lack of certainty and security was intensified because police officers retained elements of the psychological contract that they would prefer to have retained.

Career aspirations

Employability according to authors such as Sims (1994), also assumes that employees have high career aspirations. He suggests that 'employees have accepted more responsibility for assessing and designing their own careers and they recognise the need for lifelong learning'. However, many participants did not aspire to career success either with their current organisation or any other one. Evidence from Shaw Group suggested that many employees, especially those employed in the factory were satisfied with the positions they held and had no desires to progress up the career ladder. Many had worked in their current jobs for over a decade and their only desire was to remain in that position until retirement. They were not interested in the type of involvement that employability suggests. Their home life, or time spent away from work, was equally if not more important to them work. For example, 40% of survey respondents perceived 'fitting in with family and other commitments' and 'a job that is close to home' as elements of their psychological contract. They were also

elements that were valued. Some interviewees suggested that some employees perceived work as a means of providing a wage for other more important aspects of their lives. Some authors may therefore be assuming that work occupies a more prominent position in people's lives than it actually does.

The findings from Loamshire Constabulary suggest that it is not always possible for employees to be as flexible as some organisations would like them to be. Interviewees commented that many civilians have to balance work with home commitments and after the restructuring a minority left because the two were incompatible. The point is that, whilst work might be important to employees, they might also have responsibilities outside of work, which prevent them from meeting organisational demands.

It is argued that the concept of employability is unlikely to become a reality for these employees. The idea of striving for career success might be more relevant to some groups of employees such as managers and MBA graduates that frequently constitute research samples. But, at Shaw Group and Loamshire, and one might speculate that the same is true for many other organisations, work represents only a part of people's lives. Therefore, the concept of employability might be relevant to only a small percentage of the overall workforce. And researchers and managers who are optimistic, may have overestimated the role that work plays in some people's lives. They may wrongly assume that all employees have a desire to progress up the career ladder. Furthermore, it is argued that if all employees had high career expectations, organisations would have difficulty in retaining employees for essential but lower grade positions

Ensuring employees are employable

A psychological contract based on employability is one where employees are responsible for managing their own careers. Guarantees of job security and regular advancement are replaced with training and development to ensure that they are more employable either internally or externally. However, there was no evidence to suggest that training and development was perceived as a key element of the current psychological contract. At Shaw Group, training and development were less likely to

be perceived as elements of the current psychological contract than they were in the past.

Although evidence is limited, several interviewees in the aggregate group claimed that their organisations did not invest in the type of training and development that would ensure that they were more employable. This suggests that organisations have not compensated for the loss of job security and promotion prospects by increasing the amount of training and development and thus improving (external as well as internal) employment opportunities. Many organisations in this study did not have an HR department to develop the skills associated with the concept of employability. Furthermore, it appeared that as the need to cut further jobs increased, the budgets for training and development decreased.

Turning to the case studies, lack of contribution from Shaw Group, in terms of provisions of training and development, suggests that a psychological contract based on employability is unlikely. There did not exist any initiatives, which might encourage employees at Shaw Group to take control of managing their own career. The company did not employ an HR department. At the time of this research, the personnel function consisted of one manager; his staff had either been made redundant or transferred to other 'more important departments'. As the personnel manager pointed out, his role had been reduced to 'deciding who should be fired, keeping sickness records and making sure that pensions were protected'. The organisation no longer held its monthly briefing groups to provide information and thus encourage employees to take an interest in how the organisation was performing. Performance appraisals, which might have provided an opportunity for employees to understand the organisation's objectives and to set their own longer term objectives, had been suspended. Furthermore, the training budget did not extend beyond anything related to health and safety. Some participants were concerned that the opportunities for finding alternative employment were reducing as their skills became obsolete.

According to a number of interviewees at Loamshire, senior management regarded civilians' work as secondary, as providing a supporting role to police work and the allocation of new posts was performed in the same manner as a police operation.

Thus, whilst civilians might represent an essential part of the workforce, generally, they were not allocated positions that provided the opportunity to develop their career. It is speculated that similar evidence might be found in organisations, especially public sector, where certain functions such as cleaning, catering and security are contracted out. It is often the lower grade positions that are removed from an organisation's structure and whilst the actual work might remain the same, such employees have to accept less favourable terms and conditions with fewer opportunities for advancement. This questions how the concept of employability might apply to these employees whose employment chances are declining rather than increasing.

Encouraging innovation

Employability envisions an employment relationship in which employees are encouraged to be innovative and creative, which involves a degree of risk taking. Consistent with the findings from the pilot study, interviewees claimed that employees were less willing to take risks than they had been in the past and this was attributed to a 'blame culture'. This suggests that opportunities for improving organisation success are not realised because employees fear the consequences.

An homogenous psychological contract?

Finally, the evidence presented here has revealed differences in the way the psychological contract is perceived by different groups of employees. For example, interviewees' comments suggest that there are significant differences, between younger employees entering the job market and those with long service records, in terms of the importance they attached to job security. Younger employees were less likely to regard their current positions as 'a job for life'. They were more likely to regard it as an opportunity to gain experience that could be transferred to another organisation. On the other hand, at Shaw Group, the average length of service was extremely high with many employees having in excess of twenty years service. Despite the turbulent work environment and a degree of dissatisfaction with the new organisation, many retained a strong desire to remain for the rest of their career. Interviewees suggested that these employees might find the idea of searching for a

new job 'frightening and overwhelming'; many had no experience of working for another organisation. Participants from Shaw Group were less likely (than the other three groups) to see their organisation as 'a stepping stone to another organisation' or 'their experience of working for the organisation looking good on a CV'. However, employees who had previously worked for Dunn International, were less attached to idea of job security and more likely to accept short term contracts. This finding, concerning the differing perceptions of the psychological contract, is one of the key findings to emerge from this thesis, it begins to open up a debate about whether the psychological contract can be described in any generic sense. The following chapters will investigate the factors that influence employees' perception of their psychological contract in more depth.

It is suggested that authors who are optimistic about the idea of employability, and those who claim that it is part of the new psychological contract might not have conducted their investigations in organisations such as those taking part in this study. One of the criticisms of psychological contract research is that researchers often focus on a specific group, such as managers, MBA graduates or expatriates, or on a particular industry such as banking or finance. These samples are not representative of the working population and their views may not reflect the views expressed by the majority of employees.

In conclusion, the findings suggest that employability has not translated into practice because many participants remain attached to the 'old' psychological, which offered job security and promotion prospects with the same organisation, and because organisations are not fulfilling their obligations to the 'new' psychological contract. The chapter has also revealed how the psychological contract might be perceived differently by different groups of employees.

It is suggested that the findings from this study might be generalised beyond this sample to other organisations where many employees lack career ambition, remain attached to idea of a job for life and resist the idea of working for many different organisations. They might also be generalised to organisations that either do not have or do not allocate resources to employee training and development.

This contradicts 'employability' research (for example Sims, 1994) that suggests that employees have received, understood and accepted the message that they can expect multiple careers and are responsible for assessing and designing their own careers. These findings are more consistent with claims made by Pascale (1995) who suggested that only the minority of his research sample 'pass the employability test'. This study has shown that it is only the minority who perceive work in a way that is compatible with the idea of employability; employees who have high career aspirations who are prepared and able to be flexible in their current organisation and/or move to different organisations to attain success. Furthermore, it would seem that only the minority are given the opportunity to improve their employment chances and attain career success. These findings suggest that the gap, in terms of employability opportunities, between the 'high achievers' and those employed in more routine jobs, is widening.

Finally, this raises the question of 'where does this leave the psychological contracts of the majority'? They appear to retain a desire for the 'old' psychological contract, have little interest in the notion of employability, but the traditional rewards are no longer available. Do employees really need convincing that 'simply doing a job' and lack of career aspirations is wrong? If the entire workforce should accept this idea and they focus on developing their careers, it will have longer term implications for organisations. With flatter structures they are no longer able to provide promotion opportunities and therefore employees will leave to work elsewhere. Organisations will then face the challenge of recruiting employees to do the jobs that many people are no longer interested in.

Chapter 5

A statistical assessment of the proposed model of change

Introduction and chapter outline

Whilst the previous chapter examined how organisation changes can affect the psychological contract in the longer term, this, and the following chapter focus on the effects of a specific change initiative. Participants from the aggregate group were asked to answer survey and interview questions with reference to the change initiative they perceived as having had the most impact on them. Participants from Shaw Group answered questions with reference to the recent take over and those from Loamshire with reference to the restructuring (more details can be found in the following chapter).

The aim of these two chapters is to determine whether the proposed model (fig 5.1) reflects reality and thus helps to understand more about participants' experience of organisation change and the ways in which change might affect the psychological contract.

This chapter deals specifically with statistical analyses to determine first, whether the factors exist as independent factors and second, whether the relationships between 'change implementation' and 'psychological contract re-appraisal' and between 'psychological contract re-appraisal' and employee outcome measures are statistically significant. (This chapter does not examine the first stages in the model of change; these are examined through analysing qualitative data in the following chapter).

To recap on a point raised in chapter 2, the model, in the format it is presented, would suggest that the process of change is a sequence of causal relationships. Whilst the studies discussed in the literature might lend some support for this cognitive, sensemaking process of change, it is not suggested here that in reality it would be so simplistic. Furthermore, it is not implied that this is a linear, straightforward process, or that all of the factors that may influence employees' experience of change have

been included in this study. It is acknowledged that there are, without a doubt, many other factors that influence employees' perception and experience, some of which are highlighted in the following chapters. However, the psychological contract has not been investigated in this way before, and this research confines itself to examining whether conceptualising the psychological contract in this way and examining the relationships in the model helps to increase our understanding of organisation change, its effects on the psychological contract and employees' behavioural and attitudinal responses. In other words, there are numerous ways of investigating and trying to understand such a complex process. The proposed model and the theories underpinning it provide a framework and are simply one way of examining and trying to understand more about a complex process.

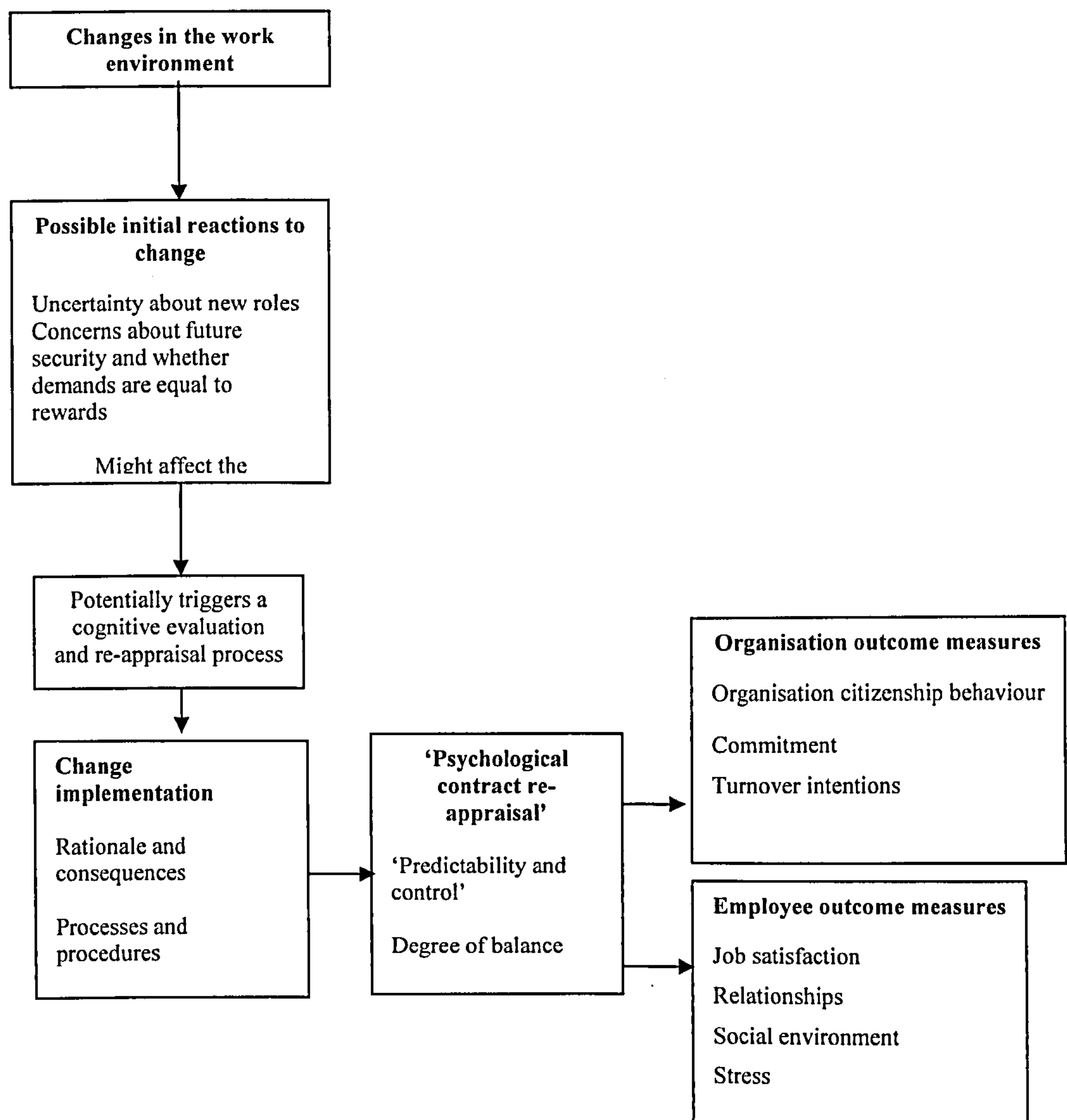


Fig 5.1 Proposed model of change

Chapter outline

A principal components analysis (PCA) is first performed to determine whether the different dimensions in the model exist as independent factors. Details of the factor analysis, how the factors were interpreted and how they relate to the proposed model are presented in this section of the chapter. Whilst some of the factors that were extracted correspond to the model, the results were not as predicted. A number of survey items either failed to load on to one of the factors, or they loaded on to more than one factor. In addition, where it was proposed that there would be two independent factors, (such as two factors representing 'psychological contract re-appraisal'), the PCA factors suggested only one factor.

Regression analyses were run with the factors extracted from the PCA. The results of the regression analyses provide insufficient evidence to support the model as it was initially proposed. Some of the survey design and sampling limitations are discussed. The model of change is amended to reflect the findings from the factor analyses and regression analyses.

The chapter concludes with a summary of the main findings and a discussion of some of the implications.

Principal components analysis

The majority of the 'organisation change survey' scales were developed or modified from existing scales specifically for this study. Therefore, before examining any of the relationships in the model, it was essential to determine to what extent the components proposed at each stage of the model represent independent factors. In other words, are the survey questions, which relate to each of the proposed components, a reliable means of ascertaining attitudes towards that particular component? And, do the components represent different constructs that are independent of each other? This objective was achieved through performing a series of principal components analyses (hereafter referred to as PCA), with varimax rotation. According to Tabachnick and Fidell

'The specific goals of PCA are to summarise patterns of correlations among observed variables, to reduce a large number of observed variables to a smaller number of factors, to provide an operational definition (a regression equation) for an underlying process by using observed variables, or to test a theory about the nature of underlying processes.' (1989: 598)

For example, it was proposed that 'change implementation' relates to three main issues: the 'rationale and consequences' of change; the 'processes and procedures' for its implementation; and treatment of individuals. Survey items included in the corresponding scales were based upon theories of organisation justice (Folger, 1999; Greenberg, 1990a; Moorman, 1991) and on findings from the pilot study. The application of PCA would reveal patterns of correlations among the variables that are thought to reflect these underlying processes. Thus, in this study the aim of PCA would be to reduce the number of variables (scale items) to single factors, and to provide a degree of confidence that these three issues are important and relatively independent of one another. If the results of the factor analyses are as predicted, the same would apply to the components proposed as representing 'psychological contract re-appraisal', and employee and organisation outcome measures.

Extraction and interpretation of factors

PCA with varimax rotation were performed. All of the survey items that related to the proposed model of change were entered into this analysis. Whilst the initial analysis suggested over 20 factors, a scree plot analysis indicated an eight factor solution, accounting for over 50% of the total variance, with each factor having eigenvalues greater than 1.

The results of the PCA were not as anticipated and the factors that were extracted are not entirely consistent with those proposed in the model of change. Nevertheless, the factors can, to some extent, be interpreted and labelled within the context of the model. Amendments will be made later in the chapter to reflect these findings.

The loadings of variables (> 0.30) onto the eight factors, percents of variance and alpha reliabilities for each scale are shown in table 5.1. The variables are ordered and grouped by size of loading.

Table 5.1 Factor analyses results

Factor Name	Factor Loading	Factor Name	Factor Loading
Factor 1 Psychological contract re-appraisal (includes items relating to 'predictability and control' and 'degree of balance')		Factor 2 Change management (includes items relating to 'processes and procedures and 'individual treatment')	
The amount of influence you have in organisation decisions that affect your job	.72	<i>When the changes were introduced management:</i>	
Knowing suggestions that you make are taken seriously	.67	Allowed requests for clarification/additional information about decisions	.77
Being able to prevent negative things from affecting your work	.63	Provided useful feedback regarding decisions and their implementation	.74
Feeling certain about how much authority you have	.62	Listened to the concerns of all affected by the changes	.74
Knowing exactly what is expected of you at work	.62	Had the interests of all sides represented	.73
Understanding the organisation well enough to be able to control events that might affect you	.59	Showed concern for your rights as an employee	.70
I feel as though I give more to this organisation than I get in return ®	.59	Provided you with timely feedback about the change and its implications	.68
Management's expectations of employees are generally fair	.58	Provided opportunities to appeal or challenge decisions	.64
The balance between what the organisation expects from employees and what it gives back is equal	.58	Were able to suppress person biases	.64
Being left to get on with my work without conflicting demands by different people	.55	Took steps to deal with you in a truthful manner	.63
Employees' efforts and performance are rewarded fairly	.52	Provided support to help you cope with the changes	.62
Satisfaction with chances of promotion	.52	Collected accurate information for making decisions	.60
The organisation does not appreciate the efforts I make ®	.50	Considered your point of view	.60
Satisfaction with job security	.44	Allowed decisions to be made with consistency	.59
Satisfaction with the hours of work and workload	.41		.34
Satisfaction with the rate of pay	.30		
<i>Accounted for 24.2% of the variance. Alpha = .90</i>		Factor 3 Organisation citizenship behaviour	
		I often put myself out for the organisation	.80
		I am usually willing to work more hours than indicated by my contract	.73
		I volunteer for things beyond what is required	.71
		I try to be innovative and creative for the benefit of the organisation	.70
		I am expected to work extra hours	.65
		I try to make suggestions to improve the functioning of the department	.64
		I go out of my way to be helpful to others	.56
		I am willing to take risks for the sake of the organisation	.55
		My expectations are fair and realistic	.38
		<i>Accounted for 5.0 % of the variance. Alpha = .85</i>	

Factor Name	Factor Loading	Factor Name	Factor Loading
Factor 4 Job satisfaction		Factor 6 Commitment	
Amount of responsibility	.63	I would like to be with my employer in 3 years	.67
Immediate boss	.57	This organisation has a deal of personal meaning	.64
Freedom to choose own methods of working	.56	I expect to be with my organisation in 3 years	.64
Relationship with immediate superior	.51	I believe that loyalty is important, moral obligation to remain	.58
Physical work conditions	.35	Things were better when employees stayed with one organisation	.55
*The social side of work has suffered as a result of the changes	.46	I feel proud to discuss the organisation	.52
<i>Accounted for 3.5% of the variance. Alpha = .52 *item removed Alpha =</i>		I feel as though the organisation's problems are my own	.47
		I could as easily become attached to another organisation	.42
		Jumping from organisation is not unethical	.41
Factor 5 Relationships and social environment		<i>Accounted for 3.0% of the variance. Alpha = .80</i>	
Social environment is very pleasant	.66	Factor 7 Rationale and consequences for change	
Employees feel part of a team who work together	.63	The changes were necessary for the organisation to survive	.73
The environment can be hostile ®	.62	The outcomes of the changes were inevitable, management had little	.69
We often have a laugh and a joke	.59	There will be considerable benefits from the changes	.63
Good relationships with colleagues	.55	There were other options available to management that were ignored	.56
Good friends enjoy socialising	.54	Changes were made for the sake of it	.52
There is rarely any conflict between employees	.53	Management communicated the need for change effectively	.47
Employees can sometimes feel threatened and are protective towards their jobs ®	.52	<i>Accounted for 2.6% of the variance. Alpha = .83</i>	
<i>Accounted for 3.4% of the variance. Alpha = .82</i>		Factor 8 Continuance commitment	
		Consequences of leaving is the scarcity of alternatives	.65
		Staying is a necessity not a desire	.58
		Right now it would be hard to leave this organisation if I wanted to	.47
		<i>Accounted for 2.2% of the variance. Alpha = .69 (min .7 desired)</i>	

Factor 1 'Psychological contract re-appraisal'

Factor 1 contained 16 items, accounting for 24% of the variance. The items that loaded on to factor 1 seemed to be closely associated with 'predictability and control' and 'degree of balance'; the two elements that were proposed as part of 'psychological contract re-appraisal'. In view of these findings, the term 'psychological contract re-appraisal' has been retained and factor 1 has been labelled accordingly. However, as illustrated below, the findings were not entirely as expected.

First, only one factor was extracted for 'psychological contract re-appraisal'. This incorporates items relating to both 'predictability and control' and 'degree of balance'. This contradicts the proposal that these two dimensions might be independent of one another. Whilst these results suggest there is no distinction between 'predictability and control' and 'degree of balance', interview data (presented in the following chapter), show that some participants did perceive there to be a distinction. The differences between these two dimensions, in terms of the importance participants attached to them, and the differing ways in which they were perceived to affect employee and organisation outcome measures, will be discussed. Furthermore, some of the research discussed in the literature review indicated that these two aspects of the psychological contract are underpinned by different theories. Therefore, the items that loaded on to factor one were grouped according to whether they related to 'predictability and control' or 'degree of balance' and the alpha reliabilities for each sub scale were tested.

Figure 5.2 illustrates how items that loaded on to this factor, might be classified into two sub-scales, with adequate alpha coefficients.

Fig 5.2 Suggested subscales for psychological contract re-appraisal factor	
<i>Predictability and control</i>	<i>Degree of balance</i>
<ul style="list-style-type: none"> • The amount of influence you have in organisation decision that affect your job • Knowing suggestions you make are taken seriously • Being able to prevent negative things from affecting your work • Feeling certain about how much authority have • Knowing exactly what is expected of you • Understanding the organisation well enough be able to control negative events that might affect you • Being left to get on without conflicting demands by different people • * Satisfaction with the chances of promotion • * Satisfaction with job security <p><i>Alpha reliability = .83</i></p>	<ul style="list-style-type: none"> • I feel as though I give more to this organisation than I get in return • Management's expectations of employees generally fair • The balance between what the organisation expects from employees and back is equal • Employees' efforts and performance are rewarded fairly • The organisation does not appreciate the effort that I make • *Satisfaction with the hours of work and workload • *Satisfaction with the rate of pay <p><i>Alpha reliability = .72</i></p>

Second, seven items that were proposed as being part of the ‘psychological contract re-appraisal factor’ either failed to load on to this factor > 0.30 or loaded on to more than one factor. These were:

For predictability and control

- A clear explanation of what has to be done
- Having a clear understanding of your position in the company
- Feeling confident about your future with the organisation
- Having enough power to control events that might affect you

For degree of balance

- Generally speaking, management considers the well being of employees
- I do not feel that I expect any more from this organisation than I am prepared to give
- The organisation shows respect for me as an employee

Given some of the findings from the pilot study and the previous chapter, and some of the discussions in chapter two, concerning future security, it was surprising to find that items relating to future security, such as: ‘feeling confident about your future with the organisation’ did not load on to this factor. Indeed, interviewees from the three research samples discussed, and expressed their concerns over these issues on a number of occasions.

Third, as illustrated in figure 5.2, four factors (job security, chances of promotion, hours of work/workload and rate of pay) that were originally presented as items on the job satisfaction scale, loaded on to the ‘psychological contract re-appraisal’ factor. However, job security and chances of promotion are issues that seemed to dominate parts of this research and both appeared to be significantly affected by the longer term changes in the psychological contract. Therefore, whilst these findings were not expected, these items appear to be consistent with other items that loaded on to this factor. It therefore seems appropriate that these should be categorised as part of ‘predictability and control’. Similarly, hours of work/workload and rate of pay are not unrelated to other items associated with ‘degree of balance’.

Overall, whilst these findings are not entirely consistent with those expected, they do suggest that ‘predictability and control’ and ‘degree of balance’ are important dimensions of the psychological contract and that they are worthwhile pursuing in psychological contract research. Therefore, the following chapters will investigate further the ways in which these are perceived to be affected by organisation change, and how participants’ perception of these issues might subsequently affect their attitudes and behaviour.

Factor 2 Change management

Factor 2 contained 13 items, accounting for 6.7% of the variance. All of the items that loaded on to this factor > 0.30 were those proposed in the model under the heading ‘change implementation’. However, as with factor 1, the findings were not entirely as predicted. For example, in earlier discussions a clear distinction was made between ‘processes and procedures’ (which relates closely to procedural justice) and ‘individual treatment’ (which relates closely to interactional justice). Factor 2 however, incorporates both of these two aspects of ‘change implementation’. It was acknowledged that ‘rationale and consequences’ did not relate specifically to theories of justice and several of the items proposed as part of this scale have been extracted as a separate factor (factor 7), albeit accounting for only 2.6% of the variance.

Earlier research by Moorman (1991) demonstrated that procedural and interactional justice represented independent scales. However, Folger and Skarlicki (1998) showed in a later study that there is an interaction between the different types of justice. Furthermore, they argue that research is misguided in trying to determine which of the three types of justice accounts for the greater variance in organisational outcomes. In a study by Skarlicki and Latham (1996) management concentrated on all three forms of justice during a downsizing programme and it was found that despite the layoffs and restructuring, employee satisfaction and performance increased. It is suggested that participants in this study might have perceived the two types of justice in the same way, not making the distinction that this and previous studies have made.

Factor 2 did not contain any items that were not originally proposed as being related to change implementation. One item, 'the decisions that were taken to implement the change initiative were fair', loaded on to two factors. And two items ('treated you with kindness and respect' and 'provided adequate training wherever necessary') did not load > 0.30 on to any of the eight factors.

In view of these findings, factor 2 has been interpreted as relating to the way in which organisations manage their change initiatives (the processes and procedures they develop) as well as the way in which individual employees are treated. This factor has now been labelled 'change management'. As with other parts of the model, this is an issue that should be explored in further research in a more rigorous and robust manner.

Factor 3 Organisation citizenship behaviour

Factor 3 consisted of 9 items accounting for 5% of the variance. Items for factor 3 appeared to relate closely to the concept of organisation citizenship behaviour. The scale incorporated into the organisation change survey to investigate this aspect of employee behaviour, was adapted from a scale used in previous research (Moorman, 1991, Robinson and Morrison, 1995), which was shown to be reliable and valid.

One item, 'I rarely make the effort to do more than the minimum required' loaded on to more than one factor. Two items, 'I am expected to work extra hours' and 'my

expectations of the organisation are fair and realistic' were originally proposed as part of 'degree of balance'. On consideration, these two items did not appear inconsistent with other items in the organisation citizenship scale.

These findings would seem to suggest that in the context of this study, factor three could be interpreted and labelled 'organisation citizenship behaviour' with an adequate degree of confidence.

Factor 4 Job satisfaction

Factor 4 contained 6 items and accounted for only 3.5% of the variance. Five items were from the job satisfaction scale of Cook and Wall (1979), which originally contained 15 items. As discussed above, 4 of these were included in factor 1. The remaining items either failed to load on one of the eight factors > 0.30 , or cross loaded with other factors.

In addition, the factor also included 'the social side of the organisation has suffered as a result of the changes'. This survey item seems inconsistent with other items included in factor 4. The alpha reliability for factor 4 was .52, less than the minimum desired. When this item was removed, the alpha reliability increased to .74. However, as there are so few items within this factor, compared to scales that have been used in previous research, there is some concern about the extent to which this factor really relates to the many different aspects of job satisfaction. These findings could be partly attributable to some of the limitations and weaknesses of the survey (incorporating too many items into one questionnaire). Thus, it is questionable whether this factor should be included in further analyses; an issue that is discussed later in the chapter.

Factor 5 Social environment/Relationships

Factor 5 contained 8 items and accounted for only 3.4% of the variance. All items related to participants' perception of the social environment and relationships at work. Whilst these were initially proposed as two separate dimensions, the items for the two do appear to be closely related and, it is argued, could be grouped as one. For

example, all of the statements for factor 5 describe participants' attitudes towards the social work environment and their relationships with their colleagues. Factor 5 has been labelled social environment/relationships to reflect the items included.

Factor 6 Commitment and future intentions

Factor 6 contained 9 items and accounted for 3.9% of the variance. Seven of these related to the commitment scale developed by Allen and Meyer (1990), who propose three components of commitment. Affective commitment refers to a desire to remain with an organisation because of positive work experience. Continuance commitment refers to the need to remain with the organisation because of accumulated investments and a lack of employment alternatives. And normative commitment refers to feeling one ought to remain with the organisation because of personal norms and values.

As suggested in chapter 3, previous research suggests that the separate scales are independent of one another and there is high internal reliability within each scale. Whilst the items loading on to this factor clearly relate to commitment and intention to remain with an organisation, the PCA did not differentiate between affective and normative commitment and one rather than two factors was extracted. (Two items from the continuance scale were extracted as an independent factor - factor 8). In support of these findings, Allen and Meyer found that there was a positive correlation of 0.31 between affective and normative commitment and continuance commitment did not correlate with either affective or normative commitment.

The remaining two items contained in factor 6 related to future intentions: whether participants would like to with their organisation in three years and whether they expected to be there in three years. It is suggested that these two items do appear to be measuring participants' attitudes towards the same issues as the other items in this scale. All relate to participants' attitudes towards their organisation, in terms of sharing/owning its problems, their reasons for wanting/not wanting to remain and their desires to remain in the future. Factor 6 has, therefore, been interpreted and labelled as 'commitment and future intentions'

Factor 7 Rationale and Consequences

Factor seven contained six items accounting for 2.5% of the variance. These six items are all part of the original 'rationale and consequences' section of the 'change implementation' scale. One item from the original scale 'the decisions that were taken to implement the changes were fair' also loaded on to factor 2 (the change management factor) and 'overall I am satisfied with the changes' failed to load on to any of the eight factors > 0.30 .

It was suggested in previous chapters, and briefly mentioned above, that, 'rationale and consequences' did not correspond directly to theories of organisation justice, (unlike 'processes and procedures' and 'individual treatment') upon which the 'change implementation' section of the survey is based. This might help to explain why 'rationale and consequences' represented an independent factor, albeit, some items were excluded and the factor accounted for only 2.5% of the variance. Thus, it seemed appropriate to label it 'rationale and consequences' as originally proposed.

Factor 8

Three items were extracted with factor 8. These items were part of the continuance commitment scale proposed by Allen and Meyer. However, the alpha reliability was only .63, which is below the desired minimum of .70 (Bryman and Cramer, 1997). This factor was not include in any further analysis

Summary

The results of the PCA were inconsistent with the proposed model and accounted for 50% of the variance. It is acknowledged that the survey design and methods of sampling have a number of weaknesses, which have contributed to these findings. Of most significance is the fact that the survey was not sufficiently focused and attempted to address too many issues. In doing so, the number of survey items was excessively high. With hindsight, the research, and its subsequent findings, would have been more robust if the survey had been piloted and the findings analysed before distributing it to a wider sample. This would have reduced the number of survey

items to a more realistic amount, eliminating any unnecessary scales/scale items at a much earlier stage. It is acknowledged that as an exploratory investigation into organisation change and the psychological contract, the research should have focused on fewer issues to ensure that the scales were more robust. For example, the stress scale was excessively long, containing over 40 items, when in truth organisation stress represented only a minor part of this research. Its inclusion in the questionnaire was influenced by the references made to organisation stress during the pilot study interviews, however, it was not the main focus of these investigations. After careful consideration of these findings and an acknowledgement that the survey was overly ambitious, it was decided to omit the stress scale from any further investigations. In the following chapter, the potential effects of organisation change on the level of organisation stress are discussed only very briefly, simply to raise awareness and to suggest further areas of research.

To develop an assessment tool that is more reliable, valid and robust, it is recommended that further research be conducted. Retaining the model as a (loose) framework for the investigations, a further survey needs to be developed that is much more focused on the issues that are relevant to a study of organisation change and its effects on the psychological contract. Care also needs to be taken when recruiting a sample; participants should be more representative of an organisation's structure and methods of snowball sampling should be avoided.

Amendment to the model

Part of the model of change (figure 5.3) has been modified to reflect the findings from the PCA. For example, 'change implementation' now incorporates two as opposed to three factors. 'Rationale and consequences' represents one factor. Processes and procedures and individual treatment have been grouped together to incorporate the management of a change initiative, which includes the processes for its implementation and the way in which individuals are treated. For the sake of clarity, this factor will be termed 'change management'. These two factors 'change implementation' factors will be included in the regression analysis.

The term 'psychological contract re-appraisal' will be retained. Although the results were not as predicted, the items shown in table 5.1 clearly relate to the issues discussed in chapter two. The regression analyses will now include only one factor and the model has been amended to show these dimensions as one. As suggested above, later chapters do indeed reveal how some participants perceived these as two separate issues.

As organisation citizenship behaviour was shown to represent an independent factor, this has been retained in the model. Commitment has also been retained, although a number of the scale items have now been omitted and the distinction between the different types of commitment will no longer be made. Relationships and social environment now represent only one factor. Job satisfaction scale related to only a few items, and concerns are expressed as to the extent to which this factor would reliably measure job satisfaction in the way that previous research has. This factor will be entered into the regression analyses although a return will be made to these findings when presenting and discussing the results the regression analyses.

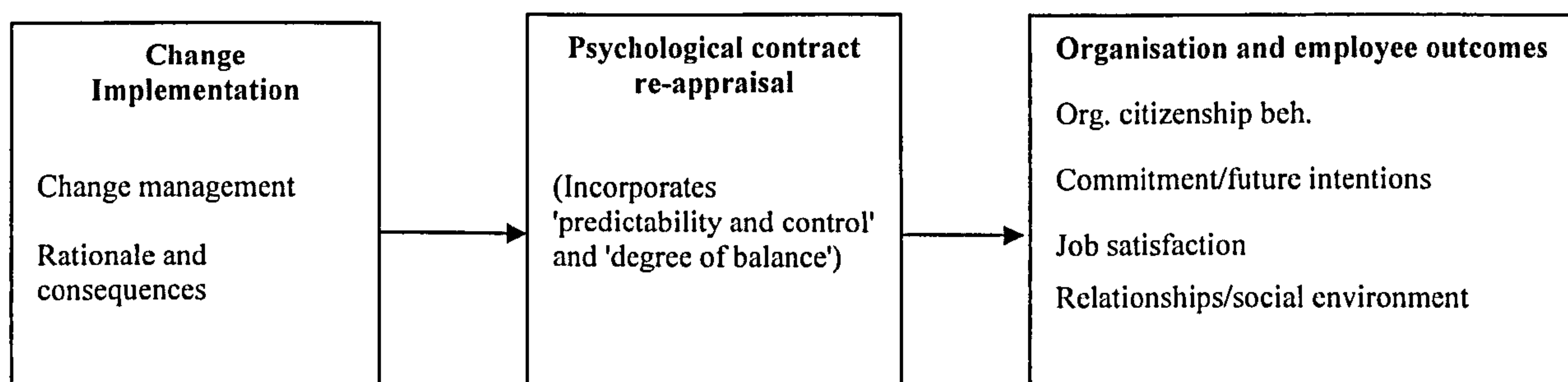


Fig. 5.3 Re-labelling of the dimensions within the proposed model

Examination of the relationships

Attention is now turned to examining the relationships within the model. The 3 main original hypotheses (based on the pilot study and previous research discussed in chapter 2) were:

Hypothesis 1

Change implementation (which includes three factors: rationale and consequences, processes and procedures and individual treatment) will be positively related to participants' perception of psychological contract re-appraisal (which includes 'predictability and control' and 'degree of balance').

Hypothesis 2

Psychological contract re-appraisal will be positively related to employee measures, (which included: job satisfaction, social environment, relationships and stress).

Hypothesis 3

Psychological contract re-appraisal will be positively related to organisation measures, (which included: commitment, turnover intentions and organisation citizenship behaviours)

The correlation and regression analyses will now include only the factors extracted from the PCA.

This analysis also includes three control variables that could influence 'psychological contract re-appraisal' and the employee and organisation outcome measures investigated in this research. (Research has shown how perceptions of the psychological contract and outcome measures can be influenced by a number of demographic variables). Thus, age, employment status and gender were included as control variables in the predictions.

Correlation between factors

Correlation analyses were carried out first to determine whether any significant relationships existed between the factors. The results, illustrated in table 5.2 show that there is a positive correlation between 'change management' and 'psychological contract re-appraisal' (0.59) and between rationale and consequences and 'psychological contract re-appraisal' (0.51). There is also a positive relationship between 'change management' and 'rationale and consequences' (0.63) (It is recommended that the correlation between the predictor variables should not be greater than 0.80)

There is a positive correlation between 'psychological contract re-appraisal' and: job satisfaction (0.52) relationships/social environment (0.49) commitment/turnover intentions (0.39) and organisation citizenship behaviour (0.16).

There are a number of significant relationships between the control variables and the two 'change implementation factors' and 'psychological contract re-appraisal'

Table 5.2 Correlations and reliabilities

Factor	1	2	3	4	5	6	7	8	9
1. Psychological contract re-appraisal	(.90)								
2. Change management	.59**	(.92)							
3. Organisation citizenship behaviour	.16*	.16*	(.85)						
4. Job satisfaction	.52**	.40*	.15*	(.74)					
5. Relationships/social environment	.49**	.40**	.23**	.41**	(.82)				
6. Commitment/future intentions	.39**	.37**	.45**	.32**	.29**	(.80)			
7. Rationale and consequences	.51**	.63**	.15*	.37**	.35**	.25**	(.83)		
8. Age	.10	.14*	.21**	.20**	.02	.27**	.04		
9. Employment status	.04	.13*	-.17**	-.08	.11	-.20	.10	.18**	
10. Gender	.06	.09	-.03	-.08	.12	.04	.06	.09	.31**

* correlation is significant at 0.05 level ** correlation is significant at 0.01 level

Regression analyses

Stepwise multiple regression was used to examine the relationship between:

- ‘Change implementation’ and ‘psychological contract re-appraisal’
- ‘Psychological contract re-appraisal’ and: Commitment/future intention; organisation citizenship behaviour; social environment/relationships; job satisfaction

A brief explanation is offered as to why stepwise (sometimes referred to as statistical) regression rather than hierarchical regressions were performed on the data. Although there are similarities in the output produced for hierarchical and stepwise regression, there are fundamental differences in the way the independent variables (IVs) enter the prediction equation and in the interpretations that can be made from the results. In hierarchical regression, the researcher controls entry of the variables; the importance of the IVs in the prediction equation is determined by the researcher according to logic or theory. In stepwise regression, statistics computed from the sample data control order of entry. Stepwise regression is therefore, model or theory building. In the case of this study, the hypothesized relationships were influenced by a number of social psychological theories, and the study was an attempt to integrate these theories to explain some of the different stages the change process. Some of the constructs or factors entered into the regression analysis had not been employed in previous research and therefore there was no indication of which factor might be the best predictor in the model summary and thus the order in which the variables should be entered.

The results of stepwise multiple regression analyses are shown in tables 5.3 and 5.4

Change implementation and psychological contract re-appraisal

In the first step, each dependent variable was regressed only on the control variables. In the second step, the ‘change implementation’ factors were added to the equation to

investigate the relationship between these factors and psychological contract re-appraisal.

Table 5.3 shows that the results for step 1, (regression of the control variables) were non significant. The results from step 2 support for the hypothesized positive relationship between ‘change implementation’ and ‘psychological contract re-appraisal’. R2 for the overall model summary was .38. The table shows that ‘change management’ has a greater influence on participants’ perception of psychological contract re-appraisal than ‘rationale and consequences’ (β beta = .59 and .23 respectively). R2 = .35 for ‘change management’, accounting for 35% of the variance. When ‘rationale and consequences’ was included in the summary, $\Delta R^2 = 0.03$, accounting for a total of 38% of the variance.

Table 5.3 Change implementation factors predicting psychological contract re-appraisal					
	β	R	R2	ΔR^2	Sig
<i>Step 1 Control variables</i>					
Age	.12				ns
Gender	.03				ns
Employment status	.05				ns
		.13	.02		
<i>Step 2</i>					
Change management	.59	.59	.35		.001
Rationale and consequences	.23	.62	.38	.03	.001
In the stepwise regression for stage 2, the control variables were excluded					

These findings show that participants’ perception of ‘change implementation’ has a significant influence on their attitudes towards ‘psychological contract re-appraisal’. In other words, their perception of ‘psychological contract re-appraisal’ was influenced by perceptions of the way in which organisation change is managed and also by the rationale for change and its consequences.

As suggested by cognitive dissonance theory and shown by interviewees’ comments (table 6.??, following chapter), when the outcomes are inconsistent with anticipated outcome, a process of sense making occurs. This cognitive evaluation process

provides an opportunity to adjust or develop new schemas in line with actual events and to make psychological adjustments whereby cognitive consistency is restored. In the context of organisation change, an evaluation of the two factors associated with 'change implementation' represents this sensemaking process. It provides an opportunity for employees to develop new schemas that are more in accordance with the changed environment or events, and thus assuage feelings of dissonance or tension. Put more simply, an evaluation of change implementation provides an opportunity to accept and adjust to any potential psychological contract changes.

Whilst organisation justice research has not focused specifically on processes of change and the psychological contract, this finding is consistent with research by Mikula et al (1990). They found that employees were more concerned with procedural and interactional justice (which is closely related to the processes of implementation and treatment of individuals), than the outcome of the changes. Previous studies have shown that employees will accept an unfavourable outcome (rationale and consequences), if they perceive that they were treated with fairness and respect.

This has implications for management practice especially where employees' concerns and consideration of the implications of change on employees are not addressed. The evidence presented here indicates that employees could judge organisation change according to how individuals were treated during its implementation more than they will judge it by its outcome.

Table 5.4 Psychological contract re-appraisal predicting employee and organisation outcome measures

Commitment/future intentions						Job satisfaction					
	β	R	R ²	Δ R ²	Sig		β	R	R ²	Δ R ²	Sig
<i>Step 1 control variables</i>						<i>Step 1 control variables</i>					
Age	.27				.001	Age	.20				.001
Employment status	.02				ns	Employment status	-.05				ns
Gender	.02				ns	Gender	-.07				ns
<i>Step 2</i>						<i>Step 2</i>					
PC re-appraisal	.40	.40	.16	.16	.001	PC Re-appraisal	.52	.52	.27	.27	.001
+ Age	.23	.46	.21	.05	.001	Age	.15	.54	.20	.02	.001
Employment status and gender excluded						Employment status and gender excluded					
		.27	.07					.20	.04	.04	
Organisation citizenship behaviour						Social environment/ relationships					
	β	R	R ²	Δ R ²	sig		β	R	R ²	Δ R ²	Sig
<i>Step 1 control variables</i>						<i>Step 1 control variables</i>					
Age	.21	.21	.05	.05	.001	Age	.05				ns
Employment status	-.15	.25	.06	.02	.00	Employment status	.09				ns
Gender was excluded						Gender	.09				ns
<i>Step 2</i>						<i>Step 2</i>					
Age	.21	.21	.05	.05	.001	PC re-appraisal	.49	.49	.24	.24	.001
Employment status	-.15	.25	.06	.02	.001	Control variables were excluded					
PC re-appraisal	.15	.29	.09	.02	.001			.15	.02		
Gender was excluded											

Again, in the first step, each dependent variable was regressed only on the control variables. In the second step the 'psychological contract re-appraisal' factor was added to the equation to investigate the relationship between this factor and the four outcome measures.

- *Commitment/future intentions*

The results from step 1 show that age has a significant influence on commitment, $\beta = .27$. The relationship between commitment and employment status and gender was non significant. The findings from step 2 show that both 'psychological contract re-appraisal' and age have a significant influence on commitment, with 21% of the variance explained. $\beta = 0.40$ for commitment and $.23$ for age, $\Delta R^2 = 0.05$.

- *Job satisfaction*

The results for step 1 reveal that age also has a significant influence on job satisfaction $\beta = .20$. Step 2 shows that 'psychological contract re-appraisal' has a significant influence on job satisfaction $\beta = .52$ and age $\beta = .15$ with 20% of the variance explained. The ΔR^2 was only 0.02 suggesting that age does not have such a strong influence on job satisfaction as 'psychological contract re-appraisal'.

However, as suggested in the previous section of this chapter, the job satisfaction factor contained only five items. There are many aspects of job satisfaction, that researchers would usually include, that have been excluded from this factor. It is therefore questionable as to whether this factor really relates to job satisfaction in the same way that many previous studies have. The findings should not be generalised beyond items that relate directly to this factor.

- *Organisation citizenship behaviour*

In step 1, both age and employment status had a significant influence on OCB, $\beta = .21$ for age and $-.15$ for employment status. In step 2, 'psychological contract re-appraisal' was positively related to OCB, although this was a weak relationship $\beta =$

.15. The control variables had a stronger influence, for age $\beta = .21$ and for employment status $\beta = -.15$. Thus, whilst 'psychological contract re-appraisal' influenced OCB, its contribution to the model summary above the control variables was minimal with $\Delta R^2 = 0.2$

This contradicts findings by previous researchers about the influence of the psychological contract on OCB. Rousseau and Parks (1993), Shore and Wayne (1993), and Shore and Barksdale (1998) for example, present evidence to suggest that employee and organisation outcome measures, such as job satisfaction, OCB and commitment are influenced by the psychological contract. The findings presented here suggest only a weak relationship. This will be investigated further in the following chapter.

- *Social environment/relationships*

In step 1, the influence of the control variables on the social environment/relationships was non significant. The findings from step 2 show that 'psychological contract re-appraisal' is positively related to social environment/relationships $\beta = .49$ $R^2 = .24$, thus accounting for 24% of the variance.

Summary

Overall, it has been shown that there is some support for the hypothesised relationships in the model. Both change implementation factors had a significant positive influence on 'psychological contract re-appraisal' and it was shown that when these factors were entered into the regression analyses their influence was greater than that of the control variables.

The findings show that 'psychological contract re-appraisal' influences the outcome measures included in these analyses, although some of the relationships were weak. 'Psychological contract re-appraisal' has a stronger influence on commitment/future intentions, job satisfaction and social environment/relationships than the control variables entered into the equation. However, age and employment status have a

stronger influence on OCB than 'psychological contract re-appraisal'; a relationship which is only weak.

Whilst these findings lend some support for the proposed model, it is stressed that the process of change should not be regarded simply as a series of relationships or that change progresses in a linear sequence. The model should be regarded in terms of different relationships rather than sequential. This research is exploratory and as has already been acknowledged, there are a number of research design and sampling weaknesses. It is suggested that further research be carried out to determine how the different factors might interact and what the moderating effects of the different factors, including the control variables might be.

Conclusions

In this final section, the main findings and their theoretical and practical implications are briefly discussed. The following chapter investigates many of the same issues, using different methods of analysis and it draws upon the qualitative data. Therefore, a more detailed discussion of the findings and their implications, (how they support/contradict previous research and the hypotheses presented here), will be offered at the end of the following chapter.

Theoretical implications

This chapter has shown the relevance of theories of organisational justice (Folger, 1999; Greenberg, 1990a; Moorman, 1991) to the study of change and its impact on the psychological contract. These were influential in developing the survey scale to assess how participants evaluated different dimensions of 'change implementation'. Previous studies have not employed theories of justice in the same context as this study, such as the role of fairness and its relationship to psychological contract re-appraisal.

Based upon previous research, it was proposed that 'change implementation' would represent three independent factors: 'rationale and consequences', 'processes and procedures' and 'individual treatment'. However, the factor analyses suggested only two factors: 'rationale and consequences' represented one independent factor but the items for 'processes and procedures' and 'individual treatment' were extracted as only one factor. To reflect the items that were included in this factor, it was relabelled 'change management'

The regression analyses showed how an evaluation of 'change implementation' influenced 'psychological contract re-appraisal'. 'Change management', had a greater influence on 'psychological contract re-appraisal' than 'rationale and consequences'. Consistent with previous research findings, this suggests that participants' perception of how the change was managed, and how individuals were treated throughout the implementation process, is more important than its consequences. Mikula et al (1990)

also found that employees were more accepting of unfavourable consequences if they perceived fair treatment of individuals.

Whilst Rousseau uses the terms 'drift', 'accommodation' and 'transformation' to describe how the psychological contract changes, this study employed the term 'psychological contract re-appraisal'. Rather than examining how the content might change if organisations fail to fulfil the psychological contract, this study examined how the psychological contract is re-appraised or reconsidered in light of an evaluation of change implementation. From this perspective, the focus is on the general pattern and form of the psychological contract and the function that it serves and it is not necessary to identify its content.

PCA confirmed that issues associated with 'predictability and control' and 'degree of balance', are together an important construct related to the psychological contract. Thus, this study has shown that there is a qualitative dimension to the psychological contract. Many empirical investigations into psychological contract change (Rousseau and Parks, 1993; Shore and Barksdale, 1998; Shore and Wayne, 1993 for example), examine the extent to which it is perceived to have been fulfilled, which suggests some kind of quantitative assessment. For example, 'have I received the rewards I thought I was promised?' 'Are the rewards I receive equal to my contributions to the organisation?' Issues associated with 'predictability and control' are frequently discussed in academic publications, but the term has not featured in previous empirical investigations. It relates to the function that the psychological contract serves in providing a degree of certainty, security, predictability and control. For example, understanding what to expect from the organisation, feeling confident about the future, influence in decisions affecting ones job and being able to prevent negative things from affecting the work situation. In other words it is more related to qualitative issues in the relationship between employee and employer. Factor analyses confirmed that this qualitative dimension of the psychological contract existed as part of 'psychological contract re-appraisal'.

Finally, the regression analyses showed that 'psychological contract re-appraisal' was a significant predictor of some employee and organisation outcome measures.

However, further, more rigorous research is advised and there is a need to investigate the interactions between the different variables.

Methodological implications

The findings have methodological implications as they have shown a potential for the organization change survey to investigate change. If the questionnaire could be scaled down and distributed a more representative sample, it would provide a useful research tool for academics interested in carrying out further investigations into organization change and its effects on the psychological contract and how this impacts on employees behavioural and attitudinal responses. It would also provide management with the opportunity to gain feedback and evaluate the extent to which their change initiatives are perceived as successful.

Practical implications

Whilst these findings indicate that this type of research has much to offer academics in understanding the complex change process, they also have implications for managers undertaking the challenge of implementing change. They illustrate the significance of the role of the psychological contract during employees' experience of organization change. And, they highlight some of the issues which management might need to focus upon during the implementation of change to the benefit of both their employees and the organization.

It is important for management to understand the role of the psychological contract in the context of organisation change. The findings show how 'psychological contract re-appraisal' influences some employee and organization outcome measures that have been associated with organisation success. If organisations address issues associated with 'change implementation', it provides an opportunity to accept and adjust to organization change and its impact on the psychological contract. This highlights the need for management to consider the implications of change on employees and to ensure that, regardless of the outcome, individuals are treated with fairness and respect. As organisations continue to change, and as they are unable to offer traditional rewards, this evidence suggests that employees will judge organisation

change according to how they were treated during its implementation more than they will judge it by its outcome. The following chapter will investigate the extent to which the participating organisations were perceived to address these issues.

Whilst this chapter has yielded some significant findings, the results of these statistical analyses were somewhat disappointing, and are attributed to several weaknesses in the research design and methodology. Nevertheless, it is suggested that, with more rigorous research, the model of change might provide a useful means of understanding more about employees' experience of change. Furthermore, the research findings discussed in the literature lend some support for the proposed process of change and there is also qualitative evidence (presented and discussed in the following chapter) to suggest that the proposed model of change does, to an extent, reflect some participants' experience of change.

Finally, this chapter has not revealed what are perceived as the most pertinent issues in relation to organisation change. For example, whilst 'change management' might influence 'psychological contract re-appraisal', these findings do not highlight which issues participants viewed in a favourable/unfavourable light. Furthermore, they do not highlight the specific issues that organisations need to address when implementing change. Thus, providing an opportunity to design organisation interventions where some of the negative effects of change can be avoided or at least reduced. The underlying message of the argument in chapter three was that different methods of gathering and analysing data could be combined to gain an overall view of the phenomenon in question. The following chapter presents the most significant findings that emerged from different methods of analysis.

Chapter 6

A qualitative investigation of organisation change

Introduction and chapter outline

The objective of this chapter is to focus on participants' experience of a specific change initiative to determine how organisation change is perceived and what their experiences of change are really like. More specifically, it examines:

- How change might affect the psychological contract?
- How participants' perceive the management of change?
- Whether there is a relationship between change management and psychological contract re-appraisal
- Whether any changes in the psychological contract might subsequently impact on employee and organisation outcome measures?

Quantitative survey data are analysed by different methods to the previous chapter and use is made of the qualitative survey and interview data. The amended model is retained as a framework for carrying out these analyses and the findings are presented under each of new headings. It is anticipated that the findings will highlight the most pertinent issues in relation to participants' experience of organisation change, including the perceived success factors and those which give cause for concern. It is also anticipated that they will illustrate the role of the psychological contract in relation to organisation change.

Data were analysed separately for each research sample. Due to the volume of data generated by the organisation change survey, the quantitative findings are presented in the appendix (6.1 – 6.3). These appear in the form of tables, with a separate appendix for the aggregate group, Shaw Group and Loamshire Constabulary. Where there are significant differences, the results for police officers and civilians are shown separately. Within this chapter, the most significant quantitative findings are generally summarised. The percentage response rate to a particular survey item is referred to only occasionally to emphasise an important finding and/or compare findings between research samples.

Examples of verbatim quotes are used to support and explain the quantitative findings and to explore some of the issues in more depth. To present the data in as comprehensive a format as possible and to try to maintain consistency, each section of this chapter presents the findings from the aggregate group first, then Shaw Group and then Loamshire Constabulary. The similarities and differences between these three groups are highlighted and discussed throughout the chapter

Whilst the PCA revealed that 'predictability and control' and 'degree of balance' represented only one factor, these findings emphasise the importance of 'predictability and control' as a fundamental part of the psychological contract. They show how this qualitative dimension can be affected by change and the impact that this can have on outcome measures. Evidence also reveals that generally, there is a degree of dissatisfaction with change implementation, especially the way in which individuals are treated. This had a negative effect on psychological contract re-appraisal. The chapter begins to explore some of the complexities of the psychological contract and its relationship to outcome measures, challenging some of the findings from previous studies. Overall, it was found that a qualitative investigation provided a greater understanding of the psychological contract and employees' experience of organisation change

The final part of this chapter reviews the main findings and discusses some of the theoretical and practical implications.

Types of change initiatives

This section provides some background information on the types of change initiatives that participants have experienced. For the aggregate group there is limited information. An overview is provided of the changes associated with the take-over at Shaw Group and the review of Loamshire Constabulary. A more detailed account of the case studies can be found appendix 6.2 and 6.3

Aggregate group

Table 6.1 shows the percentage of respondents that have experienced some of the changes frequently described in the literature, and those discussed by pilot study interviewees. As the table shows, with the exception of merger/take-over, the majority have experienced all the changes listed. Therefore, to ensure that consistency was maintained, the aggregate group answered all of the sections of the questionnaire that are examined in this chapter with reference to the change initiative they perceived as having had the greatest impact on them. However, whilst the aggregate group constitutes a relatively large sample, due to the diversity of their organisation backgrounds, there was little opportunity to learn about the context and circumstances surrounding the changes that they referred to in the survey/interviews.

Table 6.1 Indication by the aggregate group of the types of changes.			
	% indicated YES		% indicated YES
Restructuring	93%	Constant changes over a prolonged period of time	75%
Introduction of new systems and procedures	87%	Change in organisational culture	74%
Change in Senior Management	86%	Redundancy/lay-offs of colleagues	71%
Introduction of new technology	83%	Take-over/merger	32%
Introduction of new working practices	82%		

The lack of contextual information is one of the limitations of the aggregate group research. It is primarily for this reason that the case study research was conducted. The backgrounds of the two case study organisations (described in chapter 3) and the types of changes they experienced are quite different, which is partly why they were selected to take part in this study. It provided an opportunity to examine the similarities and differences between the case study organisations and between these and the aggregate group to determine how an organisation’s history, culture might affect employees’ experience of change. Brief details of the changes experienced by the case study organisation are provided in this chapter, for more information refer to appendix 6.2 And 6.3

Shaw Group take-over

Shortly after commencing these investigations, it was revealed that the company, known as Prospect Engineering, had been taken over by Shaw Group PLC. The newly acquired organisation operated under the name of Shaw Group UK. Shaw Group PLC was reputed to be a 'successful and rapidly expanding American organisation that had recently bought out several other companies in the power construction industry'.

A week after the official announcement, senior executives from the parent company informed the entire workforce that their jobs were guaranteed, there would be major investments in technology and machinery and pensions would be protected.

There was an immediate change to the senior management structure. The five Prospect Engineering executives were dismissed or given redundancy. The company was restructured to form three separate divisions. A senior executive managed each division separately with a managing director overseeing the three divisions. Senior managers/directors from other organisations within the Shaw Group were transferred to take responsibility for the new divisions.

Five middle and senior managers were later dismissed after a huge loss was announced on one of the biggest projects. Two positions were filled by internal promotions, the remaining three by transferring managers from Shaw Group PLC.

After six months, 30-40 job losses were announced to reduce overheads. Employees were informed via a letter posted on the staff notice boards. Volunteers were asked to come forward and a date was set for the final announcements. The management team considered the suitability of volunteers and drew up a further list of employees whose jobs were at risk. Departmental managers distributed letters to employees on the final list, with immediate effect. The remainder of the workforce was assured their jobs were safe. Approximately six months later, a further twenty job losses were announced. The number of employees declined steadily during these investigations from 186 to only 120.

Towards the end of the research, Shaw Group secured a large contract for South America, which would provide work for at least half of the workforce for approximately nine months. The Board was anxious that UK manufacturing and export costs were not competitive enough to return a profit. Mid-way through production, manufacturing was transferred to another of Shaw Group's subsidiaries in Saudi Arabia that was more competitive on production costs. The manufacturing division worked a four-day week with a total overtime ban.

At the time of withdrawing from this research, the company was in receipt of several large and potentially profitable orders. Senior managers were given twelve months to return a profit, otherwise the factory would be closed and manufacturing transferred to another country.

Loamshire Constabulary: The review process

The rationale underpinning the review of Loamshire Constabulary was twofold. First, and foremost, the Chief Constable sought ways to reduce crime and improve the quality of policing throughout Loamshire. Police officers should work more closely with local communities, and thus improve public confidence in the police. Second, to reduce costs and improve efficiency. The aim was to restructure the force so that a local service was delivered consistently across the county. At that time, the force comprised of eight divisions spread across Loamshire. The Chief Constable wanted smaller units with independently managed budgets, where decisions could be made at a local level without having to refer to headquarters.

A full time review committee was appointed to determine the best structure for Loamshire Constabulary and any changes that would be needed to get the structure in to place. Based at police HQ and headed by the deputy Chief Constable, (now Chief Constable), its members included 12 police officers and civilians from different grades and professional backgrounds. The final model represented a reduction from 8 divisions to five local policing areas. Each area had its own headquarters and a number of local policing units (LPUs), the latter being determined by the size of the area and the demands for police services.

Police officers could apply for up to three posts and negotiations took place for six months until all police officers were 'confirmed in post'. There were no redundancies. The level of responsibility for most officers increased.

Civilian posts had to be filled at the five area headquarters and the LPU's. The allocation of jobs was determined by the geographical location in which civilians worked prior to the review. For example, once the geographical boundaries changed, there were two support managers in one area. The position was offered to the support manager already working at the new area's headquarters. The other support manager was transferred to the area headquarters as assistant support manager. This criterion was applied across the force where positions were duplicated in the same area. A number of employees were downgraded. The remaining civilians were offered positions at one of the LPU's, which represented a change in location for many of them.

Whilst there were no compulsory redundancies, not all civilians were allocated what they considered 'a suitable post'. Although only the minority, some left the organization, because for example, the hours were incompatible with their commitments or they were unable to travel to the LPU.

Financial assistance was offered to compensate for changes in terms and conditions. Travel costs were paid for twelve months for those travelling further to work. Employees, who were downgraded, retained the salary of the higher grade. They did not receive a salary increase until the salary of the lower grade reached the level of the higher (previous) grade.

During the first six months, Loamshire's performance plummeted; it ranked as one of the lowest in the country in terms of efficiency. According to one officer, 'the crime rate went through the roof'. By the end of the first year, the performance improved dramatically and targets were met or exceeded. In 1999, Loamshire was awarded the Charter Mark, an independent award for excellence which the force had not received since 1993.

When data were first analysed it was clear that there were some significant differences between police officers and civilians in their survey and interview responses. The restructuring of Loamshire Constabulary appeared to be a much more positive experience for police officers than it was for civilians. These differences were attributed to three main reasons. First, police officers and civilians have different employment contracts. Second, it was clear that organisation change had a greater impact on civilians' psychological contracts than it did on police officers'. Third, senior police officers gave more consideration to the police during the implementation of the changes than they did to civilians. Evidence from the literature and the pilot study seem to suggest that the experience of change is influenced partly by the extent to which it represents a threat to the psychological contract and the ways in which change is implemented. The research at Loamshire provided an opportunity to investigate these issues in more depth.

Did organisation change have a greater impact?

The research investigated whether workplace changes were perceived as having had a greater impact (both positive and negative) on participants than changes encountered away from work. The intention was to exclude cases where changes in their personal lives had impacted on them more than workplace changes. This was based on the assumption that it would be difficult to ascertain whether their responses to certain issues, were determined by organisation change or by changes away from work.

In summary, only 8% of the aggregate group indicated that changes in their personal lives had impacted on them more than changes at work. None of the participants from Shaw Group indicated that personal changes had a greater impact than changes at work. Only 9% of police and 7% of civilians indicated that the impact of changes in their personal life was greater than changes at work. These cases were excluded from any further analyses.

Attitudes and experience of change

The objective of the remainder of this chapter is to investigate what the experience of change was really like for the different research samples.

This part of the chapter is structured around the headings of the model and the suggested relationships within it. It should be stressed again that these represent a means of presenting the data and it is not inferred that this is a linear process.

- Organisation change potentially triggers a cognitive evaluation and re-appraisal process
- Change implementation
- Psychological contract re-appraisal
- Relationship between change management and psychological contract re-appraisal
- Relationship between psychological contract re-appraisal and outcome measures

Organisation change potentially triggers a cognitive evaluation and re-appraisal process

Based upon findings from the pilot study and a review of the literature, it was proposed that change might not be consistent with the psychological contract, which might represent a threat to perceptions of the level of 'predictability and control' and 'degree of balance'. This discrepancy between predicted and actual outcomes potentially produces a state of tension. Only qualitative interview data were analysed to investigate this proposal. Participants were asked what their initial reactions were to the announcement of the change initiatives. They were asked to describe their thoughts about what the changes meant to them.

Aggregate group

Examples of comments from the aggregate group (table 6.2) support the proposal that initially, change can result in dissonance or tension, which according to cognitive dissonance theory, is the result of the inconsistency between new experiences and schemas representing the psychological contract.

Table 6.2 Initial reactions to change: Aggregate group

Effects on the psychological contract

Uncertainty and concerns about the future (predictability and control)

'When they announced the restructuring, it was inevitable that everyone would worry about how their own jobs would be affected'

I just didn't know what to expect anymore, they told us about the bigger picture but nobody knew how it would affect them personally'.

'When I heard that there was to be more changes, my first concern was about my own job security. It's all very worrying you know'

'I don't know what I'm expected to do anymore. There doesn't seem to be any clear structure and I know that they (management) might have ideas about how it will all work out, but they don't seem to share them with us. I worry about how much my job will change'.

Changes in demands not relative to change in rewards (degree of balance)

'With each change, the company just expects more and more from us. We don't get extra rewards when we're asked to do these extra things'.

'If there's redundancies, we'll have to take on board the extra work. They won't say to us, as you're now doing the work of six more people you can have more money'.

'People immediately worry whether they will be expected to do more, take on extra work or whatever. It doesn't always turn out that way, but I think that people associate change with doing more for less or the same'

Potentially triggers a cognitive appraisal process

Attention focused on implementation of change

'When the bank introduced the last major changes, they made such a mess of it. We're just waiting to see whether they consider us a bit more when they introduce this next major restructuring programme'.

'Everybody's worried about what will happen. I wish that they would just let us know when and what's going to happen, then we can all get on with our jobs without this constant worry about the future'.

'We're all keeping a close eye on how they go about things this time. I think that if they treat us more fairly, we'll be able to accept things a bit better'

'We know that we've got to lose jobs and we've all said that if they're up front about it and they select people properly and fairly and help them to get new jobs or get used to early retirement or whatever, then we'll accept it. If they don't, they've blown it. ... I don't believe we'll trust them again'.

Evidence shows that interviewees were concerned about changes in roles and future security. They were also concerned about changes in demands relative to changes in rewards. These findings support the suggestion that the state of dissonance or tension might explain why some employees perceive change as a threat, and a challenge to

their stability, security and control and why they feel insecure in their employment. Whilst the factor analyses did not distinguish between 'predictability and control' and 'degree of balance', interviewees' comments do appear to relate separately to these two dimensions. This finding is discussed more extensively throughout the chapter.

Shaw Group

Conversely, Shaw Group interviewees claimed that, rather than causing uncertainty, the announcement of the take-over was initially met with relief.

'Everybody understood that with Prospect, there wasn't a long-term future. When Shaw took over, there was a sigh of relief, especially when they said they would honour people's terms and conditions'. (Personnel manager)

'There was relief it wasn't the end of the line. People thought their jobs were safe. I believed what they said about bringing in work. It was a case of everything's going to be all right now, like it used to be. (Stores assistant)

These comments seem to suggest that rather than change initially representing a threat to the psychological contract, it was strengthened with the announcement of the take-over.

Four months later, following the restructuring and downsizing of the company, employees were less confident about the future.

'We didn't expect them to come up with a plan at first, we were quite happy for three or four months. But, now people are starting to get worried and they're waiting to see how they intend to handle this'. (Draftsman)

'Rumours are flying around about how ruthless Americans can be. We were so relieved to have them here, but we've had nothing for months now. Whereas before I thought everything would be all right, now I'm not so sure. I'll wait to see what they do and how they do it'. (Technical support)

These comments illustrate on the one hand how fragile the psychological contract can be in terms of its strength or what some researchers describe as the state. But on the other hand, they illustrate the resilience of the mental models or schemas that underpin it. For example, prior to the take-over the psychological contract could be

described as unstable. The former Dunn employees were dissatisfied that they no longer received the high rewards they previously had. The former Aiton employees earned much lower salaries and they expressed some resentment over the anomalies between the two groups. In addition they were concerned about the uncertainty. As such the psychological contract no longer provided a sense of predictability, security and control and the organisation was perceived as failing to fulfil its obligations. However, during a single event, when the CEO of the parent company announced the organisation's intentions, employees instantly took on board the new messages and the psychological contract was perceived favourably. It is suggested that despite the changes taking place around them, schemas are more resistant to change. Some employees held on to their previous beliefs and were willing to accept any evidence that might support them. For a short time it appeared that there had been a return to the 'old' psychological contract. Within a relatively short space of time, when the organisation failed to fulfil its promises, the psychological contracts of some employees became unstable again. However, as evidence presented throughout this chapter suggests, the beliefs underpinning it still persisted, which resulted in feelings of tension or dissonance.

Loamshire

When the final restructuring plans were presented, initial reactions were mixed. The benefits to the public were immediately acknowledged; however, participants experienced feelings of uncertainty and concern. Whilst police officers knew their jobs were safe, they realised that the review signified some fundamental changes to working practices. There would be fewer opportunities in middle and senior management but responsibility for sergeants and all ranks above would increase.

'I was hanging on by my fingernails, wondering what might happen, I was on temporary promotion to chief inspector. The indication was there was going to be some top slicing. It caused uncertainty for everyone whilst we waited for the details'. (Chief inspector)

'There was never any thought about redundancy, but they had to go through this process of having jobs confirmed. There was uncertainty in relation to that'. (Chief Superintendent)

Civilians were less confident about retaining a position.

'It was a period of uncertainty for most people whilst they were making decisions. We knew we'd come of worse, because we didn't have the same protection as the police'. (LPU clerk)

Summary

This section has shown that initial reactions to change can be determined partly by the extent to which it represents a threat to the psychological contract, potentially causing tension or a state of dissonance. Attention may be turned to the ways in which the changes will be implemented as means of making sense of or resolving this tension.

Findings from Loamshire reveal how the psychological contracts of police officers and civilians were affected quite differently and how this affected their perception of change. In other words, the review was consistent with the psychological contracts of police officers, but represented a threat to the psychological contracts of civilians.

The findings from Shaw Group draw attention to another feature of the psychological that was discussed in literature. In summary, they illustrate how the strength or state of the psychological contract is relatively unstable or fragile, but because of their resistance, cognitive schemas underpinning it can remain.

Using a personal relationship as an analogy makes it easier to articulate the above line of reasoning. Through their experiences together, partners in a relationship develop cognitive schema about what they can expect from each other and the relationship. Like the psychological contract, these may not be discussed explicitly, but factors such as trust and loyalty might underpin the relationship. Schemas allow cognitive short cuts to be taken; the partners are not constantly trying to make sense out of the relationship. If one partner behaves in an unexpected manner, the psychological understanding (contract is probably not an appropriate term) is threatened and the relationship might suffer as a consequence. However, the other partner may accept promises that the behaviour will not be repeated because of the underlying values that they hold and because of what is important to them in their relationship. Provided their partner holds true to his or her promises, the relationship might continue in

much the same manner as before. That is how the psychological contract is perceived from the evidence in this study. The values that some employees hold are an important part of their cognitive schema, which they are anxious to retain. Evidence in support of them is thus more readily accepted.

Change implementation

This section illustrates how respondents perceived the ‘rationale and consequences of change’ and ‘change management’. To serve as a reminder, the following table illustrates the items that were associated with the two change implementation factors.

Rationale and consequences	Change management
<div> <input type="checkbox"/> Change was necessary for the organisation to survive <input type="checkbox"/> Change was introduced just for the sake of it <input type="checkbox"/> There have been or will be considerable benefits from the changes <input type="checkbox"/> Overall, I am satisfied with the outcome of the changes <input type="checkbox"/> The outcome of the changes were inevitable, management had little alternative <input type="checkbox"/> There were other options available to management that were ignored <input type="checkbox"/> Management communicated the need for change effectively </div>	<div> <input type="checkbox"/> Allowed requests for clarification <input type="checkbox"/> Allowed requests for clarification/additional information about decisions <input type="checkbox"/> Provided useful feedback regarding decisions and their implementation <input type="checkbox"/> Listened to the concerns of all affected by the changes <input type="checkbox"/> Had the interests of all sides represented <input type="checkbox"/> Showed concern for you rights as an employee <input type="checkbox"/> Provided you with timely feedback about the change and its implications <input type="checkbox"/> Provided opportunities to appeal or challenge decisions <input type="checkbox"/> Were able to suppress person biases <input type="checkbox"/> Took steps to deal with you in a truthful manner <input type="checkbox"/> Provided support to help you cope with the changes <input type="checkbox"/> Collected accurate information for making decisions <input type="checkbox"/> Considered your point of view <input type="checkbox"/> Allowed decisions to be made with consistency </div>

Aggregate Group

□ *'Rationale and consequences'*

Approximately 60% of the aggregate group acknowledged that the 'change initiative was necessary' and that it 'was not introduced for the sake of it', suggesting that the rationale for change was generally accepted.

As regards the benefits of the changes and satisfaction with the outcome, responses were divided between the response categories, with no clear indication of either a positive, negative or neutral attitude.

Interviewees' comments confirm that generally, they understood and accepted the need for change. Some suggested that organisation effectiveness and efficiency had improved.

'Sometimes it's based on technology, so you can see a rationale, you say OK this machine is automated, so where previously you needed an operator you can now manage without one'. (Works superintendent, manufacturing)

'During the 1970s, we had the market place under our control, but by the late 1980s, we were rapidly losing business. We're now more competitive and starting to win customers back'. (HR manager, manufacturing)

Although the majority agreed that organisations needed to respond to external pressures, there were mixed views about the initiatives that were chosen to achieve organisational objectives and about the consequences of change. On a positive note:

'The college was losing money rapidly, it was very inefficient. We knew we had to change, and although there were job losses, anyone would be stupid to say they weren't necessary. It was the only way to stay in business'. (Personnel manager, FE College)

Interviewees in the public sector accepted that some decisions were out of the organisation's control

'The decisions about how and what we change have come from Government and are out of the hands of even senior management'.
(Manager, county council)

Other interviewees did not understand why or how some decisions were made. It was suggested that they were based only on reducing costs, sometimes resulting in unfavourable consequences.

'Some decisions to close down certain locations and make redundancies were unfair. They were made purely on cost and not on how efficiently the department was functioning'. (Supplies officer, NHS)

'They just decided they didn't want this service, so they just made the guys redundant. They never looked at where they might use them elsewhere; they just ousted them and destroyed people's lives'. (Training manager, bank)

□ *Change management*

Respondents' attitudes towards 'change management' were not particularly positive. Whilst survey items for 'processes and procedures' and 'individual treatment' all loaded on to this one factor, interviewees appeared to distinguish between the processes and procedures adopted for implementing change and the way in which individual employees were treated during the implementation stage.

In terms of the processes and procedures adopted for implementing the change, approximately half disagreed with the statements such as: employees were provided with useful feedback; decisions were made with consistency; and opportunities were provided to appeal or challenge the decisions

Interviewees' comments show that those who were informed and involved in the processes, expressed a more favourable attitude towards the implementation processes and procedures.

'Everybody was informed at the beginning that we had a problem. When redundancies were announced we completed a sort of CV, so that management knew everyone's skills and qualifications. The selection was made on the basis of skills required for a particular job, which is a fair way of doing it'. (Personnel manager, FE College)

'In one department staff proposed that to avoid redundancies, they would reduce their hours. They took a wage cut, but everyone kept their job. Management accepted this, they're only interested in reducing costs. We were much happier that we were part of it'. (Administrator, private hospital)

Interviewees who were critical referred most frequently to: senior management's lack of understanding of how proposed strategies worked in practice; failing to take involve employees when planning change initiatives; and ineffective communication. For example:

'The senior executive who designs the strategies doesn't have a grasp of how they work. He's unaware of the pitfalls and distanced from implementing it. Design and implementation are two different functions here and the process certainly isn't a consultative one'. (Training manager, county council)

'They said this time, there wouldn't be the secrecy, or any hidden agendas, they were going to be honest with people. But they did virtually the same again. They didn't ask people in the workplace. They tried to use a model of change and it didn't work. Managers could see it was doomed to fail'. (Project engineer, bank)

Overall, survey respondents expressed a particularly negative view towards any items that related to the way in which individual employees were treated. Less than 30% agreed with any of these survey items. Slightly less than half disagreed that those responsible for the changes: were able to suppress personal biases, considered their viewpoint, provided them with feedback about the change or support to help them cope with it.

Interviewees' expressed similar opinions and the same issues were raised consistently. They referred to management's inability to suppress personal biases and lack of involvement. They were especially concerned about unfair treatment of employees.

Inability to suppress personal biases

'Managers were allowed to pick people. It's like when you're on the park playing football and the two best footballers get together and pick their mates. Others might have values, but they don't get looked at'. (Admin clerk, Bank)

'Its all about whether your face fits, not how good you are at doing your job. There's nothing objective about it'. (Personnel assistant, publisher)

Lack of involvement

'We didn't get an opportunity to have a say, that's what's demoralised us. You're just a cog in a wheel and not appreciated'. (Manager, benefits agency)

'No-one ever asked for our views and yet we're the ones doing the job with the knowledge about how things should be done. If only they'd taken the time to get our views, I'm sure we'd feel differently about the whole thing'. (Production worker, manufacturing)

Unfair treatment

'People can be quite brutal. When I first met the new HR director, he said, "you're going to have to radically reduce the HR function. Basically get down to one person; just make sure you're that person". I don't think he had any idea or didn't care how that felt'. (HR manager, manufacturing)

'Senior managers said, "here's a list of names, tick them or cross them off, and the cross them off type people gets the bullet". They did it to people who had moved to London and taken on lots of extra borrowing. They had negative equity, but they didn't care'. (Project manager, bank)

'We should be more employee focused, but there doesn't seem to be time the time or money'. (Supplies officer, NHS)

Shaw Group

The findings from Shaw Group reveal that overall, participants from this organisation were more dissatisfied with the majority of issues relating to change implementation than those from the aggregate group.

☐ *Rationale and consequences*

As the company (as Prospect Engineering) was close to bankruptcy at the time of the take-over, it was anticipated that respondents would agree that radical changes were needed. The findings support this assumption: 81% agreed that 'the organisation had

to change to change to survive', and 62% disagreed that 'changes were introduced for the sake of it'.

Interviewees' comments suggest that they accepted the rationale for change; the take-over was the organisation's only chance of surviving.

'If Shaw's hadn't come in when they did, we wouldn't have been paid in November'. (Welder)

'It needed new blood and people needed waking up to compete with the rest of the world. They needed dragging out of the sixties into the nineties. If they hadn't done it, they might as well have closed the place'. (Works superintendent)

Nevertheless, 59% disagreed (only 29% agreed) that 'the outcomes of the changes were inevitable, management did not really have any alternatives', and 61% disagreed (only 18% agreed) that they 'were satisfied with the consequences'. Interviewees who expressed dissatisfaction were primarily concerned with the re-structuring of the organisation into three separate divisions, job losses and lack of future direction.

'People think they've split it into three companies to see which bits can make money and close the bits that can't'. 99% here would say that's not the right way to do it' (Engineer)

'Since Shaw's came, there's over 60 people gone. We employed over 2000 at one time. It doesn't give you much to look forward to'. (Site worker, Installation)

Others suggested that whilst some changes had negative outcomes, they were necessary.

'Economically it was inevitable and necessary. It has to be lean and mean even though it puts more pressure on the lads left'. (Works manager)

□ *Change management*

Only the minority was satisfied with the processes and procedures for implementing the changes at Shaw Group. Interviewees were concerned about the general lack of

change processes and procedures and they were anxious that either management did not have definitive plans or, information was deliberately withheld because of unpleasant consequences.

'We still don't know whether they intend building it into a real engineering function or not. It's all a bit muddling along, at least that's the impression they've created'. (Designer, Technical support)

'I don't know whether it's just bad management and they don't know how to manage change, or whether they've decided on a course of action but aren't prepared to tell us because it's bad news'. (Stores manager)

It was clear that lack of effective procedures for communicating with and involving employees underpinned their concerns.

'I said, to the managing director, you've got to come on the shop floor and meet the men. Inform them of how and when things will be done'. (Works superintendent)

'I understand they've had a lot to do, but five minutes out of a day to walk round and acknowledge people and let them know how it's all going to happen, it needs that'. (Engineer, Inspection division)

A number of employees expressed optimism for the future; a newly appointed manufacturing director was keen to provide employees the opportunity to express their views and receive information.

'With him (manufacturing director) coming in it's better, he doesn't tell you, he talks to you. He discusses and forms an honest opinion. I admire him'. (Welding supervisor)

However, the works manager commented that it was sometimes better to withhold information.

'The problem is, if you tell them everything it might affect their performance. We all know we've only got so long to turn thing around and too much bad news isn't good. We need to keep them working until we either make a go of it or decide to close it down'. (Works manager).

Less than 10% agreed with any statements related to the way in which individuals were treated. Interviewees' comments provided some explanation for such negative

attitudes. Consistent with the findings from the aggregate, participants were concerned about lack of employee involvement.

'I never get to know anything. I don't ask too much, because I expect to be told. If something's going to happen, it should be discussed'. (Secretary)

'I'm doing my best to make it succeed, but I don't feel involved in the change. Nobody has ever consulted me or asked any of the people'. (Stores supervisor)

At least five interviewees regarded this research project as an opportunity for management to listen to their views.

'Nobody has invited me to talk about ideas; that's why I wanted to come and see you. You're going to put it all together and report back, it's the first time I've had a chance to talk to anybody. It's a crying shame. It's the same with the guy who's been in before me, that's why he wanted to see you'. (Works superintendent)

Also consistent with the aggregate group, concerns were expressed regarding management's failure to consider the impact of change on employees. Interviewees discussed this mainly within the context of the redundancies.

- *Treatment during redundancy*

'It took over 7 weeks to happen; people were on a knife-edge. The personnel manager and the directors were at a meeting when the men were told. Their managers gave them a white envelope. They should have been told individually at least'. (Engineer)

'The way it was done when the last 40 went off the shop floor was an absolute disgrace' (Production engineer)

'It (redundancy) was done on a point system. But as far as I'm aware, the assessment was manipulated by putting people in boxes where they shouldn't be. Those made redundant feel they were victimised'. (Machine operator)

One manager claimed that the redundancy programme might serve as an incentive to remaining employees.

'When their mates get the white envelope they're glad it's not them but they feel guilty. It makes them grateful, and they work harder. At least it keeps some of them on their toes. They've been plodding along for too long'.
(Works manager)

It was also apparent that several managers had been dismissed for not conforming to the new management philosophy.

'They said to them "right, we've been here a couple of months now, and we don't think that you fit into the team. So, no hard feelings, but we can't get on so please go". Then there's been those suspended for weeks and then dismissed for gross misconduct' (Project manager)

Loamshire

Overall, police officers perceived issues relating to change implementation more favourably than civilians did.

☐ *Rationale and consequences*

Both groups commented that they understood and accepted the rationale underpinning the restructuring.

'There was a general feeling we'd lost touch with what real policing was about, we needed to get out there amongst the public and let them get to know us. (Chief Inspector, operations)

'The force needs to evolve, society changes and the police service needs to reflect that. The philosophy behind the LPU's was good, absolutely. That hasn't been disputed by anyone'. (Sergeant, operations)

However, whilst the majority agreed that Loamshire needed to change, the findings suggest that they were not entirely satisfied with the final restructuring model. The figures show that 43% of police and 60% of civilians disagreed that 'the consequences of change were inevitable' and 40% of police and 57% of civilians agreed that 'there were other options open that management ignored'.

Interviewees claimed that personal interests and personal conflicts, rather than organisational benefits, underpinned the decision to reduce to five as opposed to three areas. Senior police officers wanted to protect their positions and ultimately three areas would limit the number of senior positions.

'Various models were proposed and this wasn't the best fit. The initial review model was for three areas but we agreed on five. Now everybody agrees three would've been better. But those at the top were looking after their jobs'. (Traffic warden manager)

'I'm a bit dubious about the honourable intentions of one or two people. I wonder whether it was people battling against each other as opposed to looking at the greater good of Loamshire constabulary'. (Chief superintendent)

Whilst police tended to agree that 'overall they were satisfied with the outcome' and 'there have been considerable benefits', civilians tended to disagree. Police officers acknowledged the benefits, especially from an organisational perspective.

'The public has probably benefited from it most. Without being unkind, there sometimes was an element of keeping the lid on a problem for a shift, then it was somebody else's'. (Inspector, operations)

'People now target crime and use resources in a planned way. Previously we were doing that only for special operations'. (Inspector, support)

Whilst generally, civilians were less satisfied, senior employees pointed out the benefits.

'The positive side is that budgets are devolved and we're masters of our destiny. We can make a difference to how an area performs by how we manage things'. (Support manager)

As police officers could apply for up to three posts, generally they were satisfied with the positions they were allocated. Civilians, on the other hand were allocated posts according to procedures set out by senior officers. Both groups claimed that there were limited personal benefits for civilians.

'Civilians came off worst, especially those that lost jobs because of where they happened to be working before. It wasn't just the financial loss, but the loss of the status'. (Chief superintendent)

'The review had an enormous cost for me. There was financial loss, the added problem of having to travel further. There were no redundancies, but some people felt there was no alternative but to leave'. (Assistant support manager)

□ *Change management*

Both groups indicated a generally negative attitude towards change management. The most significant difference was, 65% of civilians compared to 11% of police officers disagreed that processes were in place to 'have the interests of all sides affected by the decision represented'. The majority (80%) of police indicated a neutral response.

Interviewees' also made negative comments about the implementation process, sharing some of the same concerns as members of the aggregate group and Shaw Group. First, they suggested that decision making processes were not objective.

'Everybody produced reports, but the plan was already there. If your suggestions happened to fit in they got implemented and if they didn't, they weren't really considered'. (Traffic warden manager)

'A compromise was reached but it wasn't scientific; it was done on the back of a fag packet. There was no decision making body as far as I could see. I didn't find it a very friendly environment in which to debate the future of Loamshire Constabulary'. (Chief superintendent)

Second, too much time was dedicated to planning the structure and in order to meet the deadline, the changes were implemented too quickly.

'April 4th was looming and we couldn't say sorry you've just got beaten up, we haven't got any policeman today, they're being reviewed. We had to get cracking. We'd got a plan and right or wrong, we'd got to make it work, or at least cover up the cracks'. (Chief inspector)

Third, information was not always communicated effectively.

'You have to tell them what the outcome will be, because I don't think that was ever discussed. I'm not sure we know that now'. (Sergeant, operations)

'When the master plan was unveiled, they were very clever, they unveiled it in bits to different people. I was chairman of the federation at the time and even I didn't see the whole plan. I doubt whether it was even written'. (Traffic warden manager)

Finally, concerns were expressed about the procedures for allocating posts to civilians.

'A policy was worked out about how civilian staff issues were to be implemented and everybody had to abide by it regardless of the consequences. A lot of people were 'red circled', or put at risk '. (Admin assistant)

Consistent with findings from the aggregate group, interviewees suggested that senior management had not considered the impact of the review on individuals.

'We put a lot of time and effort into developing the structures, but we left the people issues behind'. (Chief superintendent)

'We're very good at strategy, it's when it comes to the implementation and considering people that we screwed up'. (Police constable)

Whilst both police and civilians perceived the treatment of individuals unfavourably, interviewees' comments (police and civilians) suggest that their concerns relate to way in which civilians were treated. Senior management was biased towards police officers and civilians were overlooked.

'Civilians got a raw deal. There was nothing they could do about it; there was nothing that their managers could do about it. They were treated appallingly'. (Chief superintendent)

'The salary level was maintained, but they lose the cost of living rise until the level of pay drops down to the new grade. One guy's worked out that over the next five years, he loses ten thousand pounds. I find it an absolutely incredible decision and it literally is because you sat in the wrong chair'. (Chief superintendent)

Interviewees discussed at length the differences between police and civilians that were highlighted earlier in this chapter.

'Officers are very fortunate, the facilities aren't there to downgrade us or make us redundant. It's easier for us to accept change because we're

always moved about, but we don't lose status or money. Senior officers got away with it because civilians aren't protected'. (Traffic warden manager)

'I can move a PC anywhere I want. It's different with support staff. Senior police officers forgot about these other people with different expectations. You can't say, next month you're going there; you can't do it'. (Chief inspector).

'Those at the top weren't really thinking about how it would affect civilians, they just looked after their own'. (LPU clerk)

Summary

In summary, evidence from the three research groups suggests that generally, participants accept change as an inevitable and necessary feature of organisation life. For Shaw Group, change was essential to their survival and for Loamshire, change was perceived as a means of providing a better service to the public it served. However, many participants, for different reasons, had difficulty in accepting the criteria upon which some decisions were made. Members, of the aggregate group and Shaw Group questioned whether change should be based purely on reducing costs, without considering other means of improving organisation effectiveness. This suggests that either management did not explore all of the change initiatives available to achieve organisational objectives. Or, they failed to communicate effectively that the change initiative in question, was the only option or the most suitable one available. Police and civilians also questioned their organisation's decision making criteria, revealing that some decisions were based on the need for senior officers to protect their jobs

There were examples from the aggregate group and Loamshire of the organisational benefits of change. Nevertheless, there were also numerous examples of dissatisfaction with the personal consequences of change. Many of those from Shaw Group and a number of civilians appeared to express the most dissatisfaction.

In terms of the management of change, the benefits of addressing employees' needs were observed in organisations where they were involved in the process. Consistent

with previous organisation justice studies, there were examples, mainly from the aggregate group and Loamshire to show that if employees perceived 'management of change' positively, they were more accepting of the consequences, even when they were unfavourable. However, many respondents' expressed a generally unfavourable attitude towards 'management of change'. Participants' main concerns related to the treatment of individuals, such as management's inability to suppress personal biases, lack of involvement and unfair treatment of employees.

An overriding concern at Shaw Group was the way in which individuals were treated during the downsizing programme. These participants were also concerned about the lack of strategic plans for the future and by the absence of processes and procedures for implementing changes. From observations of senior management meetings at Shaw Group, it was apparent that discussions focused only on achieving short term objectives. A discussion of the implications of change for employees was not part of the agenda. In so doing, it would seem that senior management overlooked two important issues in relation to 'change implementation'. First, the lack of information regarding Shaw Group's future resulted in employees drawing one of two conclusions. Either, management had not developed strategic plans because the challenge of turning the business around was more difficult than first envisioned. Or, they had a strategy in place but because the implications for the workforce were unfavourable, they withheld information. Rumours and gossip provided the only source of information. Interviewees' comments (for example, 'they're going to see which parts are profitable and sell off the bits that aren't') suggested signs of mistrust were developing amongst employees.

Investigations at Loamshire revealed some additional, interesting findings. For example, the importance of perceived fair and respectful treatment has been highlighted throughout the section. The findings from Loamshire also show that perceptions of fairness can be influenced by an evaluation of how others are treated. Several comments by civilian interviewees reveal that their dissatisfaction with 'individual treatment' was intensified because their police colleagues were treated more favourably. Whilst police officers were generally satisfied with the outcome, it was clear that their assessment of justice or fairness was also influenced by the experience of their civilian colleagues. They expressed dissatisfaction towards senior

management because they overlooked the concerns of civilians and failed to consider how the restructuring would affect them.

Finally, the differences between police and civilians, in terms of their experiences of the management of change, might have longer term implications for relationships between these two groups who were subjected to different terms and conditions, but have to work together.

These findings indicate that whilst strategic issues might be adequately addressed, and for example, financial, productivity and service delivery objectives might be achieved, the implications for employees are frequently overlooked during the planning and implementation of change. The findings indicate that generally, management successfully communicates the need for change, but thereafter, many employees, below senior management level, may no be longer informed or involved. Thus, it appears that many senior managers failed to provide a potential opportunity for employees to accept and adjust to some of the consequences of change. From the dissatisfaction expressed in this study, it is suggested that despite organisation rhetoric and the repetitive advice in management texts that 'employees are an organisation's best asset', senior management tend to ignore such advice, continuing to focus only on organisation, and potentially personal, objectives.

Psychological contract re-appraisal

This section examines participants' attitudes towards psychological contract re-appraisal. Whilst the factor analyses did not distinguish between predictability and control and degree of balance, studies discussed in the literature and qualitative evidence suggest that employees do perceive them differently, and 'predictability and control' is potentially more important. 'Predictability and control' relates to issues concerning employees' current job, such as clear explanation of what has to be done and an understanding of one's own the level of authority. It is also concerned with issues such as security and understanding what to expect in the future and having a degree of control over decisions or events. 'Degree of balance' in the context of the study refers to the extent to which the organisation's expectations are fair, respect is

shown to employees and efforts are fairly rewarded. It also refers specifically to the balance between inputs and rewards.

Aggregate group

'Predictability and control'

Approximately 40% of the aggregate group were satisfied with 'knowing exactly what is expected' and 'feeling certain about the amount of authority'. Between 40-50% were dissatisfied with 'job security', 'having a clear understanding of their position in the company', 'having enough power to control events' or 'being able to prevent negative things from affecting the work situation'.

This suggests that whilst the aggregate group is generally satisfied with the level of 'predictability and control' in the work environment on a daily basis, they are less satisfied with issues related to the future.

Supporting qualitative evidence suggested that interviewees were concerned about lack of control over events and future uncertainty.

'I'm happy with what's expected of me on a daily basis, but for the longer term issues, you're not kept up to date. We're never told the company's strategy for the next twelve months'. (Production worker, engineering company)

'It would be a good idea if we were involved and told on a regular basis what the plans are. They probably think we won't understand such things, but we're not idiots. It would stop us from guessing what's going to happen next year or even next month'. (Stores manager, manufacturing)

'Degree of balance'

On the one hand approximately 50% agreed that management 'respects employees', 'considers their well being' and 'expectations of employees are fair'. But on the other, 56% disagreed that 'employees' efforts are fairly rewarded'.

When asked specifically about the balance between inputs and rewards, approximately 50% agreed that they 'gave more than to the organisation than they got in return', and disagreed that 'the balance between what the organisation expects and what it gives back is equal'.

An additional question, which relates more to fulfilment of the psychological contract, provides a further indication of how respondents perceived the balance between inputs and rewards. The findings confirm that, survey respondents had a more positive view of their contribution to the organisation than its contribution towards them.

Some interviewees indicated that organisations were demanding more from employees, yet they failed to reciprocate.

'So the balance between what you give and what you can expect from an organisation is changing, you're actually giving more than you are getting'. (Machine operator, engineering)

'Change isn't reflected in salaries. When we lost five people, we didn't say to the ones left, "because we're expecting you to take on more we decided to give you a salary increase". We asked for more, but we didn't give back any more'. (Personnel director, manufacturing)

Shaw Group

'Predictability and control'

Approximately 50% were satisfied with issues concerning their current job, such as 'knowing exactly what is expected'. Approximately 70% were dissatisfied with those

related to the future, such as 'future security', 'understanding their position in the company' and 'control over events that might affect their jobs'.

Interviewees' comments suggest that some employees were concerned about the lack of 'predictability and control', which was partly attributed to the lack of planning and direction from the new management team. There were also some apparent differences between the former Aiton and Dunn employees.

'We've got very little work out there, plus, we laid another forty people off on Friday and they're really worried because they've no control over what's happening'. (Manufacturing foreman)

'Every time you look around, somebody else has been shot. They're powerless to do anything about it'. (Fitter, installation)

'If you worked for Dunn's you're more used to this sort of thing, being laid off. Having to look for work somewhere else isn't such a big deal. But having said that, the managers at Dunn's always let you know what was happening, there was never this secrecy'. (labourer, construction).

'Degree of balance'

Approximately 60% agreed that 'expectations are generally fair' but disagreed that 'the balance between expectations and rewards is equal'. Similar to the aggregate group, Shaw Group perceived their contributions to the organisation as greater than its contribution to them. However, whilst the quantitative findings indicate lack of balance between inputs and rewards, interviewees rarely discussed issues related to this.

Interview data from the aggregate group appeared to suggest that for some employees, 'predictability and control' was more important than the balance between inputs and rewards. The findings from Shaw Group support this, indicating that 'predictability and control' was of primary importance for many participants and when perceived so negatively by many of Shaw Group's employees, 'degree of balance' is not so significant. This suggestion is explored in more detail in the following sections.

Loamshire

Predictability and control

Findings from Loamshire highlight the different perceptions of police and civilians. Approximately half of the police were satisfied with 'predictability and control' in relation to their current job; only a quarter was dissatisfied. The opposite was true for civilians; approximately half was dissatisfied and only a quarter was dissatisfied.

During the interviews, both groups expressed some dissatisfaction about a lack of clear planned goals and objectives.

'There have been so many changes in the structure and so many reviews since the review, they probably still don't know what their roles are or what they'll be doing next Monday morning'. (Support manager, commenting on the role of LPU clerks)

Police officers were concerned about adopting management roles.

'A sergeant knows the law, works well in those areas, but they don't think outside that. It's alien to have to think in management terms. They're not ready for that responsibility and they worry about what they're expected to do'. (Chief inspector)

Civilians were more dissatisfied (and concerned) than police officers with 'predictability and control' in relation to the future, especially as a further review was expected.

'At the moment, there's worry and concern knowing that somebody has to go, somebody that you work with and like'. (LPU clerk)

'This chap's a good friend and it's not a good feeling. You desperately hope you won't be sacked, but you don't want it to be him either. My position is safe and I shouldn't be concerned. But because of what's happened to the assistant manager, he was downgraded, I sense the uncertainty'. (Support manager)

The following comment draws further attention to the differences between police officers and civilians in relation to longer term security

'It doesn't seem fair that we should have to worry about losing our jobs when police officers who do exactly the same job, never have to think about such things'. (Incident desk, LPU)

There was no evidence to suggest the police were concerned about 'predictability and control' in relation to the future.

'Degree of balance'

Participants indicated a generally unfavourable view of 'degree of balance'. Consistent with the findings presented thus far, civilians were more negative

Consistent with the findings for the Aggregate Group and Shaw group, the findings for Loamshire show clearly that respondents perceived their contribution to the organisation more favourably than its contribution to them. However, similarly, interviewees rarely referred to issues associated with this aspect of 'psychological contract re-appraisal'.

Summary

The combined findings from the three research samples suggest that whilst participants are satisfied with the level of 'predictability and control' in the work environment on a day to day basis, they are less satisfied with issues related to the future. Generally, participants perceived a lack of balance between their inputs and the rewards they received. However, it seemed that they attached less importance to this aspect of psychological contract re-appraisal than they did to 'predictability and control'. This was particularly apparent from the research at Shaw Group.

The differences between the two groups at Loamshire further highlight the importance of 'predictability and control'. For civilians, organisation change had had negative impact on 'predictability and control' and they were concerned about it. For police officers, it had not changed and they repeatedly claimed that they valued the security

and certainty. The combined sets of findings therefore appear to support the suggestion that; although 'degree of balance' might be perceived negatively, employees are more concerned with issues related to 'predictability and control'.

'Change implementation' and 'psychological contract re-appraisal'

The previous two sections have shown that attitudes towards 'change implementation' and 'psychological contract re-appraisal' were not particularly favourable. Using only the qualitative interview data, this section investigates the relationship between 'change implementation' and psychological contract re-appraisal to determine whether participants' attitude towards 'psychological contract re-appraisal' could be influenced by their evaluation of 'change implementation'.

Aggregate group

Interviewees' comments illustrate how a positive attitude towards 'change implementation' had a positive impact on 'psychological contract re-appraisal'.

'The change was very positive. They weren't kept worrying about what would happen. It was well planned, regular briefing groups and very positive marketing promoting the need to change the culture. There was a definitive marking once the process was complete. The atmosphere was 'buzzing', a great place to work. ... Employees were clear about what was now expected and they were adequately rewarded. They soon settled down and accepted new ways of workings'. (Manager, TV company)

'We were all asked for our ideas and we knew there were no hidden agendas. We were concerned about the future obviously, but we didn't worry unnecessarily, because we knew we'd been told everything'. (Receptionist, engineering)

Conversely, a negative attitude towards 'change implementation' had a negative impact on 'psychological contract re-appraisal'.

'We weren't involved in the process, we've just been told to do it. ...That's why we feel so insecure and uncertain about our future. People

haven't really given it a chance because they feel it was forced on them'.
(Production worker, manufacturing)

'It was totally unwarranted, bad decisions were made about who should go and who should stay. There's a huge fear factor, people know they have a reputation for being ruthless. Even now, three months later, they're really worried about what the future means'. (Personnel manager, manufacturing)

'I'm afraid I'm one of these people who like to know what's happening. Some people cope and they have an attitude of "what will be will be". So I'll struggle with these changes until I know exactly what to expect'
(Works supervisor, engineering)

Shaw Group

Evidence from Shaw Group also suggested a relationship between 'change implementation' and 'psychological contract re-appraisal', especially between the way in which employees were treated and 'predictability and control'. Evidence from the finance department and a small division of the works showed that when individuals were treated with perceived fairness and respect, they were more satisfied with issues associated with 'predictability and control'.

'My boss, the finance director, told me it was a two-way thing and asked what I wanted. I was involved even down to what I thought job titles should be for myself and the guy left with me. I don't worry so much about the future'. (Accountant)

'His office is like a surgery. We go in when we want and whenever there's something to tell us, he gets us together. He can't guarantee jobs, but at least it stops us constantly worrying. We can cope better with that. We can't do anything to stop it but at least we're treated better and that means a lot'.
(Welding foreman)

When 'change implementation' was perceived unfavourably, which the findings suggest reflects the majorities' attitude, participants exhibited unfavourable attitudes towards 'predictability and control'.

'Because of the way they got rid of people, most feel quite insecure'.
(Installation worker)

'Quite frankly, a lot of them have seen so much change and bad attitudes and treatment from some managers, they're clueless about what's happening and find it difficult to believe they have any future here'. (Site supervisor)

'It comes back down to communication, treating people fairly and letting them know what's happening. If it's bad news tell us, don't lie. Don't treat us as though we've got no brains, they're all intelligent people out there. At least we'll know where we stand and stop worrying'. (Works superintendent)

Loamshire

Findings from Loamshire are consistent with those from the aggregate group and Shaw Group. Participants, who were informed about their new role at the early stages of the review process, were clear about their objectives and more confident about the future.

'I was told from the beginning what my new role would be, I could also see that it was an essential part of the new structure. I thought unless I did something really stupid, my future was more or less guaranteed. I didn't really worry'. (Police constable)

Conversely, when the way in which individuals were treated was perceived unfavourably, it had a negative affect on how 'predictability and control' was perceived.

'We said to people, you don't get any training, but you should know exactly what you're supposed to do. We're very good at that and then we wonder why they don't know what they're expected to do and why they worry about their jobs'. (Chief superintendent)

'For the support staff, there was enormous change, suddenly out there working alone. We really neglected them and of course, they didn't know what they were doing; they were frightened to death. The level of stability of the whole environment changed'. (Assistant support manager)

The level of concern, especially for civilians, increased with news of a further review.

'People have memories of bad times, of how it was handled and what they've gone through. It's been suggested that it will happen again. It might be that whatever happens, people will be found a job, but they

don't think they'll be all right. There's not the perceived security'.
(Chief superintendent)

Summary

The above extracts from interviews suggest a relationship between the way in which organisations manage and implement change and employees' perception of 'psychological contract re-appraisal'. In particular, they show how perceptions of 'predictability and control' can be determined partly by the way in which management treats individual employees and the extent to which their concerns are taken into consideration. For example, if jobs were at risk, but managers involved employees in the changes and provided regular honest feedback, they showed a greater acceptance of the uncertainty. They realised that job security was not guaranteed, but because their views were taken into consideration, it seemed that they were more able to live with the insecurity. They were able to adjust to change in the psychological contract by making the cognitive adjustments and developing new schemas in line with what the changes represented.

The relationship between these two factors was especially apparent at Shaw Group where the management of the changes associated with the take-over and 'predictability and control' were both perceived unfavourably.

Pragmatically, the potential effects of the management of change on 'psychological contract re-appraisal' are unlikely to be of immediate concern to senior managers at organisations such as Shaw Group that operate in such a turbulent environment. The implications might appear more pertinent to academic researchers. Shaw Groups' senior management team focused only on short term objectives, such as reducing costs through the quickest possible means. They believed that once they could show some success to the senior executives of the parent company, they could focus on longer term objectives. Addressing the long term strategic issues and the concerns of employees were not part of their immediate agenda, they were issues that they would face in the future. The severity of the problems facing the organisation prior to the take-over was partly the reason for management adopting this approach. However,

these findings reveal that actions taken in the shorter term have longer term implications. Whilst senior management expressed confidence in the success of Shaw Group, this was not the perception of many participants. From their perspective, there was little evidence to suggest that the future was any more certain than before the take-over and furthermore, participants expressed concern about the lack of direction.

Research at Shaw Group has shown that certain issues, in particular the concerns of employees, cannot be deferred in the hope that they can be returned to some time in the future. It was clear from conversations with some employees that because the CEO's promises had not materialised, they had lost trust in management and found it difficult to believe anything positive they were told about Shaw Group's future. Thus management faced a difficult task in gaining the commitment and trust of employees. This evidence suggests that if Shaw Group had adopted a more consistent strategy for involving and communicating with employees immediately after the take-over, when they had a more receptive audience, this might have been an easier task to accomplish. Attitudes towards the management of change might have been more favourable and consequently, employees would have found it easier to accept changes in the psychological contract.

Finally, the findings from Loamshire also reveal that 'psychological contract re-appraisal', especially the dimension of 'predictability and control', is influenced by the experiences of and the views expressed by people around them. For example, civilians' re-appraisal of the psychological contract was based partly on a comparison between their own and police officers' experience of the way in which they were treated throughout the review process. They realised that police officers were first, clearer about their own objectives in relation to the tasks they performed and second, more confident about their future with Loamshire. Furthermore, whilst the restructuring might have had no direct impact either on the job they performed or their future security, some participants expressed concern about the level of 'predictability and control'. The support manager for example, had retained his previous position, however his assistant, once a colleague of equal status, had been downgraded and this had a direct impact on how he perceived issues associated with 'predictability and control'. This suggests that organisations can convey a message to the entire workforce because of the way in which management treats the minority.

Employee and organisation and outcome measures

The findings, which illustrate participants' attitudes towards employee and organisation outcome measures, can be found in the appendices. This short section presents an overview of the most significant findings for each research sample. The following section will examine whether and in what ways these outcome measures were influenced by organisation change and its effects on 'psychological contract re-appraisal'.

Aggregate group

Employee measures

Whilst 45% indicated that the overall level of job satisfaction had decreased since the changes were introduced, responses to the job satisfaction scale were generally positive.

Relationships at work and the social environment were also perceived favourably, although both were shown to be negatively affected by change. As the following section illustrates, any conflict between employees was attributed to pressures of the workload and to uncertainty about the future.

The organisation stress scale was omitted from these investigations. Nevertheless, the majority indicated that changes had increased stress. Twenty five percent indicated they were suffering from work related stress, 72% of which attributed it directly to organisation change.

Organisation measures

Survey respondents agreed, almost unanimously, that they engaged in organisation citizenship behaviours. The exception was 'willing to take risks for the sake of the organisation' to which only 19% agreed.

Thirty eight percent agreed (41% disagreed) that they were less committed since the introduction of change. Responses to the different items on the organisation commitment scale reveal a number of contradictions. Whilst approximately 50% was 'proud to discuss their organisation', only 23% indicated that the organisation had 'a great deal of personal meaning to them'. Furthermore, 66% 'would like to be with their organisation in three years', and 51% 'expected to be there in three years', yet, 69% 'could easily become attached to another organisation'. The findings suggest that a desire to remain with the organisation might be due to necessity as opposed to desire. For approximately half, 'leaving the organisation would be difficult, even if they wanted to' and remaining was 'a matter of necessity' and due to a 'scarcity of available alternatives'. And, whilst many respondents expressed a desire for job security with their current organisation, they also disagreed that employees should remain with one organisation throughout their career.

In relation to turnover intentions, 50% had either 'never thought about leaving' or 'had sometimes thought about it but had never done anything about it'. Forty percent had 'recently looked around for other jobs', but only 10% was 'currently in the process of trying to leave'.

Shaw Group

Employee outcome measures

In relation to job satisfaction, 53% was less satisfied since the take-over; only 12% was more satisfied. Participants from Shaw Group were generally less satisfied with items on the job satisfaction scale than the aggregate group.

Overall, perceptions of the social environment were positive, although this had been negatively affected by change. Consistent with the aggregate group it was found that that hostilities between colleagues sometimes arose because of pressures of work and because employees tried to protect their jobs if they were concerned about job security.

The majority had a 'good relationship with colleagues' and over half agreed that 'relationships between management and employees were good'. However, whereas the majority of the aggregate group had a good relationship with their immediate superior, only 45% of Shaw Group agreed with this statement. Further analysis of the data revealed that the majority who disagreed, was employed in the same department and thus had the same manager. The effects of management style on employees' experience of change are discussed in chapter 7.

Change had increased the amount of stress for 75% of survey respondents. A third were suffering from work related stress and 27% (81% of those suffering from stress) indicated that it was related to change. Whilst a higher percentage suffered from stress than the aggregate group, they were less likely to seek professional help.

Organisation outcome measures

The majority agreed that they engaged in organisation citizenship behaviours.

Fifty nine percent was less committed to Shaw Group since the take-over, which compares with 38% of the aggregate group. Responses to the commitment scale also yielded contradictory results. Whilst 52% 'would like to be with Shaw Group in three years time' and 45% 'would be happy to spend the rest of their career with the organisation', 79% 'could easily become attached to another organisation'. Furthermore, whilst 47% were proud to discuss their organisation, only 10% indicated that it 'had a great deal of personal meaning' and only 6% 'felt the organisation's problems were their own'.

Findings for the aggregate group were more consistent with claims (For example, Sims, 1994) that employees no longer wish to remain with one organisation throughout their working life, but this was not so for Shaw Group. Although only 2% agreed that 'loyalty and moral obligation was a reason for remaining', approximately half (compared to 21% aggregate group) agreed 'things were better when people

stayed with one organisation for most of their careers' and disagreed that 'jumping from organisation does not seem unethical'.

Despite some of the problems encountered by Shaw Group, turnover intentions were relatively low. .

Interviewees' comments illustrate some employees' attitudes, especially those with long service records, towards their careers.

'Most people live within walking distance of the place, and although they might get a job somewhere else, they'd prefer to stay here until they retire'. (Personnel manager)

'We might moan about the company, but nobody ever does anything about it. The company is in our blood, it's what we've been brought up with. We can't see ourselves working anywhere else'. (Storeman).

This is consistent with findings for psychological contract changes, where participants expressed a desire for security with Shaw Group, rejecting the idea of working for several different organisations.

Loamshire

Fifty percent of police officers but only 21% of civilians indicated that job satisfaction had increased since the review; over 50% of civilians were less satisfied. The following two comments illustrate the differences.

'There's little opportunity for support staff to expand; its not easy to climb the ladder. They know they're going to be in the same position for a long time and a lot get frustrated'. (Chief inspector, support)

'There aren't many opportunities to go very far at senior level. The police have far more opportunities than we do'. (Administrator, personnel)

This is consistent with findings that showed that police were more satisfied with the personal consequences of the restructuring than civilians.

The majority had 'good relationships with colleagues' and 'their immediate boss'. Police officers had a more favourable view of relationships between management and employees.

Whilst 52% indicated that the social environment had suffered since the review, the majority agreed that it was 'generally very pleasant' and that they were 'able to share a joke'. Both groups tended to disagree that 'the environment can be hostile and arguments between employees are not unusual'. But, 54% of civilians also disagreed that 'there is rarely any conflict between employees' and 50% agreed 'employees can feel threatened by one another and protective towards their jobs'.

The majority agreed that change had increased the amount of stress in their job. Thirty percent of police officers and 43% of civilians were suffering from a stress related illness. All of the civilians and two thirds of the police officers attributed it to organisation change.

Organisation outcome measures

The majority engaged in OCB. The only significant difference was that 70% of police officers compared to 36% of civilians were willing to take risks for the sake of the organisation.

Approximately half of the civilians agreed they 'felt less committed to the organization since the review' whereas only a third of police agreed with this statement. Approximately half disagreed

The majority of both groups indicated a desire to remain with Loamshire Constabulary. However, 80% of police officers and only 50% of civilians expected to be there in three years. Furthermore, civilians agreed they 'could easily become attached to another organization' and disagreed that 'the organisation had any personal meaning' or that they 'were proud to discuss it'. Civilians' responses are consistent with those of the aggregate group and Shaw Group.

Police officers on the other hand, disagreed that they 'could easily become attached to another organisation'. Whilst only a third agreed Loamshire's 'problems were their own', approximately two thirds agreed they were 'proud to discuss the organisation' and that it had 'a great deal of personal meaning'. Interview comments support the findings.

'Police officers still join as a career, and they're still proud to be part of the force'. (Sergeant, operations)

'It's still a way of life for most police officers, they moan and groan but they have no intention of leaving'. (Constable, operations)

Both police officers and civilians agreed that 'staying was a matter of necessity', 'the consequences of leaving would be the scarcity of alternatives', and that 'it would be hard to leave, even if they wanted to'. However, the two groups' responses were attributed to different reasons. Civilians were concerned about the general lack of alternative employment options, whereas police were concerned about their suitability to adapt to a different career and also a need to protect their pensions.

Approximately half agreed (only the minority disagreed) that 'things were better when people stayed with one organisation for most of their career'.

The majority (80%) of police officers, compared to 43% of civilians, had either 'never thought about leaving' or had 'thought about it but had never done anything about it'. Whilst 15% of police officers were in the process of leaving, these were mostly officers approaching retirement age. They were not looking for alternative employment.

Fifty percent of civilians had recently looked around for other jobs but only 7% were in the process of trying to leave. Findings presented above, suggest that lack of alternatives might be a reason why only the minority was trying to leave.

'Psychological contract re-appraisal' and employee measures

This section examines whether psychological contract re-appraisal might influence some of the outcome measures included in this study.

Aggregate group

Interviewees' comments revealed a relationship between 'predictability and control' and some employee measures. For example, when perceived favourably, 'predictability and control' had a positive influence on employee outcome measures, such as job satisfaction.

'Before the college restructured everyone was lethargic, there was no enthusiasm for work. The personnel manager was great in keeping us up to date. She took away the worry and uncertainty. I enjoy coming to work much more'. (Administrator, College of FE)

When perceived unfavourably, it could have a negative influence on job satisfaction and stress.

'The problem is, people here are afraid of losing their jobs, and they can't always go anywhere else and so they live with this constant insecurity. That's bound to have an impact on job satisfaction. It also increases the amount of stress, I've seen enough evidence of it recently'. (Supplies manager, NHS)

'Things were changing and I was just feeling ill. It coincided with being told that in the new structure I wasn't going to continue with my role'. (Training manager, bank)

As suggested in the previous section, hostilities between colleagues were more likely to occur when there was uncertainty about the future or when pressures of the workload became unmanageable. This might also explain why 53% of survey respondents disagreed, 'there was rarely any conflict'.

'People look over their backs to protect their jobs and they're more willing to report colleagues' mistakes. They might have covered up for them before, but reporting it lets them off the hook'. (Architect, council)

'When they're concerned about their jobs they react badly. I had an instance the other day where one employee said to another, 'you're in a much safer position than me, I've got a big mortgage, and more commitments than you. You're more employable, you're younger, why don't you volunteer for redundancy and let me stay?' And that was just pure selfishness. The other person felt guilty because they hadn't agreed to it'. (Personnel manager, manufacturing)

'If you work in a department of ten and you're told that three of you have to go, it leaves you feeling so uncertain. You're just not in control of your own future. So, people protect their own jobs and it can lead to colleagues falling out'. (Manager, benefits agency)

The relationship between 'degree of balance' and these measures was less apparent, although some interviewees were dissatisfied with increased pressures and demands.

'With fewer people to do the same amount of work, the only way you can do it is by stretching your working day'. (Sales clerk, engineering)

'It took your time, you had to produce so many reports and it was all very demanding to please these faceless wonders that wanted a constant stream of information. I was working seventy hours a week'. (Training manager, bank)

Shaw Group

Examples of interviewees' comments show that when participants were clear about their position in the company, and they had some influence over events, they exhibited a positive attitude towards job satisfaction.

'In the finance department, our boss has been great. He tells us what's going on and we know just where we stand. Because of that, the atmosphere in our department is very positive; people seem to enjoy coming to work. I think we're lucky because it's certainly not like that everywhere'. (Accounts clerk)

Conversely, when 'predictability and control' was perceived unfavourably, it had a negative impact on the general work atmosphere.

'Morale is very bad. While there's no work out there, there's no guarantee of a future and the atmosphere is bad'. (Welding supervisor)

'A big contract is just about to finish and after that, we just don't know what will happen. So, if you walked out there, it's like walking into a graveyard'. (Manufacturing director)

Several interviewees suggested that it affected relationships between managers.

'Because managers are in such a vulnerable position and they don't have a guaranteed future, they get concerned about their own situation. I'd say they're very defensive about their positions and that's certainly affected their relationship with other managers'. (Installation manager)

Several interviewees and the personnel manager discussed the increased level of stress, which they attributed to the insecurity.

'It isn't just the men on the shop floor, you see changes in managers, the worry, maybe the fright set in for the first time. No one admits to it though, they're afraid of the consequences'. (Purchasing manager)

'I shouldn't be telling you this, but the managing director isn't coping very well at all. He's under tremendous pressure and what with bringing his young family over from America, I think that it's all getting a bit much. I wouldn't be surprised if he gets sent back'. (Personnel manager)

These comments suggest that both management and employees were finding the pressures difficult to cope with. However, it also appeared that because of the perceived lack of security, they were reluctant to say that their illness was stress related.

'A lot of them are scared that if they admit to it, they will be the first ones to go in the next redundancies. They come to work when they're not well. You can see they're struggling, but they feel pressured to keep going. Another thing is the culture here, it's mostly men and a bit of a rough environment; it wouldn't be on to tell your mates you've got stress'. (Personnel manager)

'I'm currently suffering from depression and take a lot of medication. I've tried to cover up but the managing director knows about it. I don't think that it's gone in my favour. They think I can't cope'. (Senior accountant)

There was no qualitative evidence to suggest a relationship between 'degree of balance' and employee outcome measures. These findings suggest that issues associated with 'predictability and control' were even more important to employees at

Shaw Group than they were for participants in the aggregate group. Although survey results suggest lack of balance, there were very few references to this. Participants were more concerned about what might happen than they were about what they could expect to receive in relation to their contributions. Lack of security and the uncertainty about the future were clearly issues that dominated research at Shaw Group and the findings presented thus far show that it had a significant impact on their experience of the entire change process.

Loamshire

Evidence from Loamshire also illustrated a relationship between 'predictability and control' and 'employee measures'. When perceived favourably, it had a positive effect on job satisfaction.

'Before the review, I was on a temporary promotion. Everything was up in the air because I didn't know whether it would be confirmed. Confirmation of chief inspector's role had a tremendous positive affect on the way I do the job and how much I enjoy it'. (Chief inspector)

'After the review, I was given a permanent position, before it was only temporary, which means there's more security. I can relax and enjoy my job now the uncertainty has been taken away'. (Admin assistant)

When perceived unfavourably, it had a negative effect on some employee outcome measures. For example, civilians' concerns over a further review and its potential impact on job security had affected relationships between colleagues.

'If people are unsure about their jobs, they can get quite fractious with one another, especially if they're working with somebody and they don't know which one has still got a job'. (LPU assistant)

'It's difficult to support one another when you know the decision is between them and you. It can lead to conflict and people start to be political and defend their own turf, making sure that it's not them. They're trying to protect the environment it once was'. (Chief inspector)

A negative perception of 'predictability and control' also impacted on the level of organisation stress.

‘When there's such massive change, people worry about the new job and their future. Inevitably, it affects their health. We've got people on long term sick and there's more minor sickness’. (Welfare officer)

‘It was causing difficulties because it was such an enormous change. Morale was extremely low, absenteeism was very high, although it's a lot better now. But there was so much uncertainty and confusion, we should have expected it'. (Chief superintendent)

And finally, the criteria for allocating positions to civilians had increased the level of uncertainty, which has subsequently impacted on job satisfaction.

‘I've always enjoyed my job and still do, but it's been clouded because I will never know whether I would have been selected if they had interviewed me to find out my capabilities. I can't get rid of that feeling’. (Support manager)

Summary

The findings presented above show how ‘psychological contract re-appraisal’ can influence employee measures, such as job satisfaction, relationships between colleagues and stress. They draw particular attention to the relationship between ‘predictability and control’ and these measures. Whilst examples of this relationship were to be found amongst all three research samples, the findings from Loamshire, where there are distinct differences between police officers and civilians, perhaps provides the clearest illustration. As shown earlier in this chapter, civilians’ perceived ‘predictability and control’ more unfavourably than police officers did and it appeared that employee measures were more negatively affected. For example, Fifty one percent of police officers and only 21% of civilians found their work more enjoyable after the review. Conflict between colleagues was a more common occurrence amongst civilians, which interviewees suggested was due to concerns about job security. And finally, stress related illness was more prevalent amongst civilians, which was attributed to uncertainty and concerns of a further review.

Despite the general negative perception of ‘degree of balance’ there were fewer examples of how this might influence employee measures. This lends support to the

suggestion that predictability and control might be more important to employees, in terms of its impact on outcome measures, than 'degree of balance'.

Psychological contract re-appraisal and organisation measures

This section now examines whether organisation outcome measures were influenced by participants' perception of psychological contract re-appraisal.

Aggregate Group

A number of comments indicate that when issues associated with 'predictability and control' were perceived favourably, it had a positive effect on organisation measures.

'In this department we've had it all explained to us and we know exactly what to expect. We realise we've got to tighten our belts, but because our boss has done everything to let us know what's happening, we try our damndest to keep the company going.' (Machine operator, manufacturing)

'Obviously there's no guarantees, but we're always kept up to date; there aren't any secrets. We try to accept things are forcing us to change and the majority is committed to this company's success'. (Stores, engineering)

Conversely, when perceived unfavourably, it had a negative influence.

The HR manager of a large engineering organisation claimed that recent changes had affected the company's previously successful and buoyant suggestion scheme, which had generated around 100 suggestions per month.

'Since the changes were introduced, the number has reduced to approximately 30. I think that's a direct reflection of people thinking why should I improve this business when I feel so insecure?' (HR manager, manufacturing)

Other interviewees expressed similar views, for example:

'Because of the insecurity, morale will be very low, which will affect commitment and everything. I think it will be reflected in the output, efficiency, productivity, all the things we're measured on will suffer as a consequence'. (Production manager, engineering company).

However, the following comments suggest that the more unfavourably employees perceived 'predictability and control', the more they engaged in behaviours beneficial to the organisation. In other words, there is a negative relationship.

'Well there's always the added fear that if you aren't working flat out, when the jobs go, you'll be the first out. You're constantly looking over your shoulder to see what every one else is doing. The pressure continues to increase. I don't know how we manage to keep up, but if you want to keep your job, you don't have a choice'. (Machine operator, engineering)

'Each time they cut back, you think what can I do to save my own job. Sometimes I worry that it might bring the worst out in people, you know, back stabbing and that sort of thing'. (Production worker, manufacturing)

From these findings, it is suggested that some participants' outward behaviour and their apparent desire to remain with their current organisation might be attributed to lack of alternatives and/or the consequences of leaving, rather than to an emotional attachment or a personal or moral obligation to remain. This was especially true for those working in manufacturing or engineering.

Furthermore, it is suggested that rather than withdrawing from pro organisational behaviour because 'psychological contract re-appraisal' was perceived unfavourably, (as proposed in the model of change), some employees engage in them more as a means of protecting their employment. The low level of 'predictability and control' was itself the pressure to increase pro-organisational behaviour.

Further evidence suggested that whilst some employees engaged in pro organisational behaviour, such as OCB, as means of protecting their jobs, they withdrew from those which posed as a risk for the same reason. This was attributed to a blame culture; making a mistake might cost them their job.

'Because they never knew what was happening, they were all the time worried and looking over their shoulder. They were defensive, saying I'm not going to put my neck out for that'. (Architect, city council)

'People previously weren't worried about making decisions. But now they think if it went wrong, it could be a sticky situation, you're talking money here. The organisation's less dynamic because everyone shies away from making decisions'. (Consultant, marketing company)

Shaw Group

The findings from Shaw also showed the complexity of the relationship between 'predictability and control' and organisation outcome measures. As with the aggregate group, there was little, if any evidence of a relationship between 'degree of balance' and these measures.

A more detailed analysis of the interview data revealed that:

- When 'predictability and control' was perceived favourably, it had a positive effect on organisation measures.
- When 'predictability and control' was perceived unfavourably, the effects on organisation measures were dependent on the extent to which employees were concerned about it.
- High level of concern had a positive effect on organisation measures as employees engaged in behaviours beneficial to the organisation to protect their jobs. Low level of concern had a negative affect as employees might withdraw effort.
- Factors such as an attachment to the idea of working with one organisation, previous experience of working in an uncertain environment and the availability of options influenced the level of concern.

The following quotes support these proposals, which are illustrated in figure 6.1

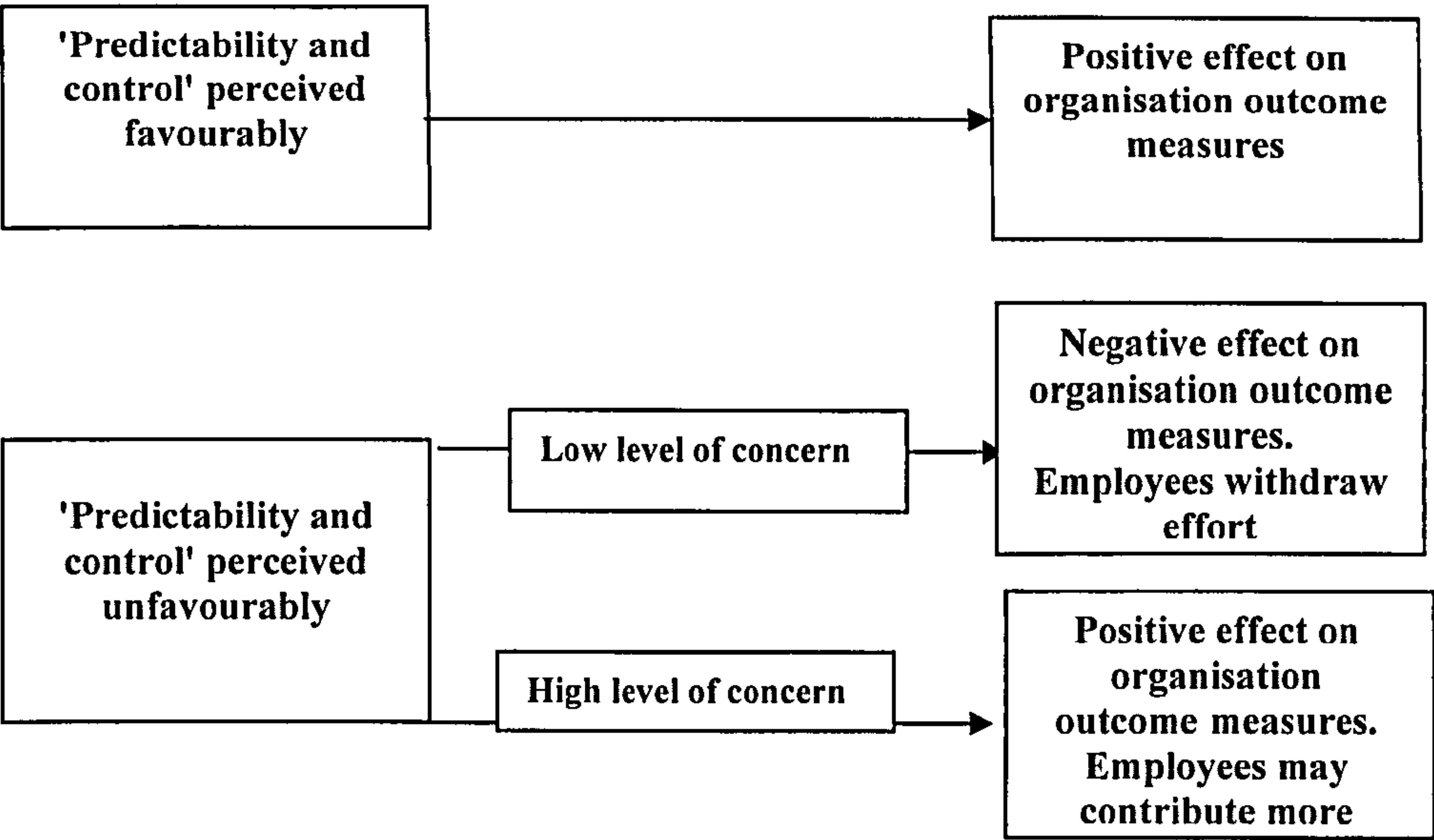


Figure 6.1 Relationship between 'predictability and control' and organisation measures

'Predictability and control' perceived favourably

'I want a future with this company, and from what I've been told, I've got one. I'm definitely looking for ways to be more effective, more efficient. I probably work far more hours now than I did, but it's because I know where I'm going'. (Accounts clerk)

'I feel I've got a place here. If you've got something positive and everything is clear, you drive towards it, show commitment and the company benefits in the long run'. (IT support)

'Predictability and control' perceived unfavourably - level of concern low

'When it's all so negative and they don't know if they've got anything at the end, they reach a stage where they don't care anymore. People come in nine to five, then go. They just close down. In terms of their capacity to work, it's detrimental to the company'. (Manufacturing supervisor)

'People are so hacked off with worry and wondering what's going to happen, they think, why should I bother? They do what they have to, to get by or they think they'd be better off with redundancy, and they leave. Either way, the company loses out'. (Welding foreman)

Some employees were unconcerned about the level of 'predictability and control' when other options were available.

'The works manager resigned because he said he couldn't wait any longer to hear what's happening. He knew that he could get another job, so he went while he could'. (Paint division)

I know I could get another job and as word hasn't come down to us what's going to happen next, I'm tempted to do that'. (Machine operator)

'Predictability and control' perceived unfavourably - high level of concern

When 'predictability and control' was perceived unfavourably, but the level of concern was high, employees responded in ways which provided a better chance of protecting their jobs. A desire and/or need to stay with Shaw Group because of attachment to the notion of a job for life and/or lack of alternative employment options are proposed as factors affecting the level of concern. Evidence showed that under these circumstances employees engaged in pro organisation behaviours, but withdraw from behaviours where there was an element of risk.

- *Increased OCB*

'Some people work harder than before the take-over. That's been stimulated by seeing people disappearing and the need to be seen to be contributing to go forward with the company'. (Installation supervisor)

'I resent what they're doing but don't want to lose my job. I know I might. If keeping it means working even harder and doing all the crap jobs nobody else wants, I do them. They get more effort out of some people than they ever did' (Machine operator)

- *Withdrawal of behaviours that pose as risks*

'They wouldn't speak their mind, to offer ideas for improvement, because they're frightened. They just sit there quietly and don't say anything, because if they suggested something that didn't work, it might be an excuse to get rid of them'. (Works superintendent)

'You have to play safe. Do the jobs where you can see results and don't try anything risky in case it backfires. It's all a game'. (Welder)

These findings have implications for Shaw Group and its employees. From an employees' perspective, morale was extremely low and fears about job security were relatively high. From Shaw Group's perspective, the company was under considerable pressure from the parent company to succeed and as such, needed the commitment of the workforce. However, these comments suggest that whilst employees engaged in OCB, some of them did so to protect their employment rather than because of a desire to see the organisation succeed. Furthermore, they were no longer prepared to take risks. On the other hand, employees, who were unconcerned about the insecurity, were not prepared to put themselves out for the organisation. Thus, the commitment and innovation that Shaw Group needed for success was lacking.

Loamshire

Data from Loamshire Constabulary were analysed to further understand the relationship between 'predictability and control' and organisations outcome measures, particularly organisation citizenship behaviours and turnover intentions. For civilians, the same pattern emerged. For example, a favourable perception of 'predictability and control' had a positive effect on organisation outcome measures.

'When everyone moved into the new control room, it was chaos; no-one knew what they were doing. Now there's a clear structure in place they feel more reassured. That's had a tremendous impact on our targets because everyone put in the extra effort'. (Help desk, civilian)

'Once there was more certainty about their new roles, output increased dramatically'. (HR assistant)

When perceived unfavourably but employees were unconcerned, it had a negative impact on organisation measures.

'I've got to the stage now where I don't know whether I'll have a job, and if I have, I don't know where or what it will be. I think, why should I bother? I don't work beyond five o'clock anymore and I just do what I have to'. (Finance co-ordinator, civilian)

'I know I'll have to change jobs again, but I think what the hell, my pension is only twelve months away and I'm not working my backside off for them any more. They won't have the time to get rid of me before I retire'. (Clerical assistant)

When perceived unfavourably and the level of concern was high, OCB increased. Interviewees' comments suggest that civilians might be committed to Loamshire because of a lack of alternatives. For example,

'You certainly show commitment for the 8 hours you're here, you have to. There aren't many job opportunities'. (LPU clerk)

'I've been through two redundancies and don't want to experience it again. There was so much uncertainty with the review and we've not seen the end of it; more jobs will go. I work much harder, stay until late and don't get paid for it. I don't like what's happening but I'll do all I can to protect my job'. (Assistant support manager)

Police officers' comments on the other hand, suggest that overall, both 'predictability and control' and organisation measures were unaffected by change.

'Most people that join the force still expect it to be for life. You get moans and groans about how "it wasn't like that when we joined". But the review hasn't altered how committed they are and how hard they work. Generally, that's down to the individual'. (Chief inspector, support)

'The changes that have happened in the force are the same as those that have happened in society; expectations are higher. But overall, it offers a great deal of security. You know where you are with the force. Police officers are still proud of what they do and it's reflected in how hard they still work'. (Chief superintendent)

Furthermore, they did not express concern about lack of alternative options, but about their ability to adapt to a different type of organisation. And, consistent with comments made by several members of the aggregate group, leaving would mean sacrificing pensions and other benefits; few, organisations offered the same terms and conditions.

‘There's more pressure and things change, but if you consider leaving, you realise that being a police officer is all you know. It's not like moving from one engineering company to another’. (Sergeant, operations)

‘Pension and early retirement keeps a lot of us here’. (Constable, LPU)

Summary

These findings imply that the relationship between 'psychological contract re-appraisal' and organisation measures is more complex than originally proposed. It is suggested that factors additional to those shown in the model might determine how employees respond to 'psychological contract re-appraisal'. From the above comments, it would seem appropriate to suggest that the need to protect employment as well as concerns about the consequences of leaving the organisation are two such factors.

Influence of additional variables on perception/experience of change

Finally, it was found that a number of additional variables might influence participants' perception and experience of organisation change.

It was apparent from some of the aggregate groups' comments that age and length of service had a significant impact, not only on the relationship between 'predictability and control' and outcome measures, but on their attitude towards and experience of the entire process of change. These findings are consistent with those from the pilot study (appendix 1.1).

Several interviewees from Shaw Group also suggested that employees with long service records found it more difficult to accept change and the uncertainty it can bring. They also spoke about the additional problem of working in a declining industry where alternative employment is limited. And it was shown that the cultural differences between the former Aiton and Dunn influenced participants' experience

of organisation change, the ways in which change affected their psychological contracts and their responses to it.

Evidence from Loamshire highlighted the significance of other important factors. The following chapter examines the impact of these additional factors on individual's psychological contracts and their experience of change with reference to the entire findings from this study. The theoretical, practical and methodological implications are discussed in chapter eight.

Conclusions

The objective of this final section is to review the findings presented throughout this chapter and discuss their implications for theory and management practice. Analysing and presenting the findings for three different research samples has been somewhat complex. To avoid complicating the main lines of argument, and extending the length of this chapter further, a summary of the main findings for each group can be found in the appendices. The main conclusions and implications for each of the case studies will be discussed in the final chapter

Theoretical implications

In chapter two it was argued that before we speak about managing the psychological contract, (such as promoting employability as part of the 'new deal') and thus overcoming some of the problems attributed to changes in working patterns, we need to understand more about the ways in which it might be affected by change. Examining participants' experience of a specific change initiative in detail fulfilled this objective. The findings show the theoretical value of conceptualising the psychological contract in cognitive terms. They also show the significance of cognitive and social psychological contract theories in understanding more about employees' experiences of and reactions to change. Finally, from a theoretical perspective, the findings are beginning to reveal the complexity and fragility of the psychological contract.

Cognitive conceptualisation

This chapter has shown that ‘predictability and control’ represents an important qualitative dimension to the psychological contract. Investigations focused partly on the psychological as representing a cognitive structure or model. Other researchers have also described the psychological contract in cognitive terms (Rousseau, 1996; Morrison and Robinson, 1997). Nevertheless, it is argued here that although the psychological contract might be conceptualised and discussed in cognitive terms and issues associated with ‘predictability and control’ are discussed in academic papers, the term has not featured in previous empirical investigations. Researchers have not examined some of the issues underpinning the psychological contract in the same depth as this study. .

‘Predictability and control’ in the context of this study, relates to the function that the psychological contract serves in providing a degree of certainty, security, predictability and control. For example, understanding what to expect from the organisation, feeling confident about the future, influence in decisions affecting ones job and being able to prevent negative things from affecting the work situation. In other words it is more related to qualitative issues in the relationship between employee and employer.

Whilst no distinction was made between ‘predictability and control’ and ‘degree of balance’ in chapter 5, evidence presented in this chapter showed that there is a distinction between these two proposed dimensions of the psychological contract. Furthermore, evidence suggests that the (cognitive) function of the psychological contract in providing a mechanism for making sense out of organisation life and a degree of control, is potentially more important than the ‘degree of balance’ between inputs and rewards. Interview data showed that if change has a negative impact on the psychological contract, participants were more concerned about issues associated with ‘predictability and control’ than they were about a lack of balance between their inputs and the rewards they received. Examples of this were apparent at Loamshire where the review had differing effects on the level of predictability and control for civilians and police officers.

There was also evidence to suggest a relationship between participants' perception of 'predictability and control' and some organisation outcome measures, whereas there were limited examples of a relationship between degree of balance and outcome measures.

Relevance of theories associated with the psychological contract

Evidence has shown how theories rooted in cognitive and social psychology and closely associated with the psychological contract are relevant to the study of organization change and its affects on the psychological contract.

The findings have shown that an investigation into cognitive and psychological adjustment processes, provides a means of understanding more about individual's experience of organisation change, how it might impact on their psychological contract and why they respond in certain ways. Whilst investigations into breach and violation refer to cognitive and emotional processes (Morrison and Robinson, 1994) they tend to focus more on the outcome of this process, such as how employees respond to perceptions of violation, rather than investigating the process itself.

This study has drawn upon cognitive dissonance theory (Festinger, 1957), to help understand why some employees might perceive change as a threat and why they try to resist it. There were examples to suggest that initial reactions to change might be attributed to dissonance or distress, caused by the inconsistency between actual events (the changed environment) and schemas representing the psychological contract. As suggested by Lord and Foti (1986), schemas are relatively robust and they can persist even when there is no evidence to support them. The psychological contract may no longer serve its function of reducing uncertainty and providing a degree of security, predictability and control. As such an individual's mechanism for 'making sense' out of their organisation world may be threatened.

Evidence supported the proposal that dissonance can trigger a cognitive evaluation process in a search for cognitive consistency. For example, interviewees questioned

how change would affect their jobs and how management intended implementing it. This is consistent with claims made by Langer (1978) who proposed that a conscious process of sensemaking occurs when the outcomes are inconsistent with anticipated outcomes. And Rousseau (1996) who claims that employees will be involved in a process of searching and sensemaking to reduce the emotional losses associated with eroded security, predictability and comprehension of events.

Significance of organisation justice research to understanding employees' experience of change

This chapter has shown the relevance of theories of organisational justice (Folger, 1999; Greenberg, 1990a; Moorman, 1991) to the study of change and its impact on the psychological contract. Previous studies have not employed theories of justice in the same context as this study, such as how perceived fair treatment provides an opportunity for sensemaking and developing new schemas that are more consistent with what change represents.

These findings suggest that participants' perception of how individuals were treated when the changes were implemented is more important than either its consequences or the processes and procedures adopted for its implementation. This is consistent with organisational justice research (Greenberg, 1990) which showed how perception of fair treatment through informative and sensitive explanations of procedures tend to minimise negative reactions to adverse outcomes such as job losses and pay cuts.

However, it was also shown that perceived fair treatment of individuals was the aspect of change implementation with which participants were least satisfied. Participants, who perceived treatment of individuals as unfair, found it difficult to accept the ways in which the psychological contract had changed. They were more likely to perceive 'predictability and control' and 'degree of balance' unfavourably. Furthermore, concern with these issues, especially 'predictability and control', increased the level of stress and concern about the future.

Challenge to existing research

The findings contradict those from previous empirical research (for example, Anderson and Schalk, 1998, Rousseau and Parks, 1993; Shore and Wayne, 1993), which claim that outcome measures, such as commitment, turnover intentions and OCB are influenced by the extent to which the psychological contract is reciprocal or balanced.

There was limited evidence to suggest a relationship between perceptions of 'degree of balance' and employee and organisation outcome measures. Whilst interviewees spoke about a lack of balance between their inputs and the rewards they received, overall, it did not appear to influence their behaviours in the way that some researchers suggest.

The findings suggest that 'predictability and control' is more important than 'degree of balance' in determining outcome measures. It appeared from interviewees' comments that participants were concerned about 'degree of balance' only when they were satisfied with issues associated with 'predictability and control'.

However, it was also shown that this relationship was more complex than initially suggested. A negative perception of 'predictability and control' was more likely to increase rather than decrease OCB. The findings illustrated how the level of concern might influence the relationship between 'predictability and control' and outcome measures, especially OCB. Participants increased OCB as a means of protecting their employment. .

Complexity and fragility of the psychological contract

The findings also reveal how complex and multi-faceted the psychological contract is and how a number of different variables determine which dimension of it employees attach the most importance to. The following chapter examines more closely how a number of factors influence how the psychological contract is perceived, how it might be affected by change and how employees respond. Nevertheless, a pattern is

beginning to emerge from the findings presented so far to show how difficult it would be for organisations to manage a complex psychological contract that is influenced by so many different variables.

The findings also illustrate how fragile the psychological contract can be in the sense that it can be perceived differently within a relatively short space of time. This suggests that there are methodological implications as evidence from Shaw Group has shown that researchers may obtain different sets of findings dependent on when data are gathered. This shows how the psychological contract needs to be studied over time to be able to make judgements about its general state. They also show the value of conducting qualitative investigations to determine which aspects of the psychological contract are important to different individuals. Through this type of case study research it became clear which issues were important to which groups of employees and how management actions could affect their perceptions of the psychological contract differently.

Implications for management practice

These findings highlight some of the issues which management needs to focus upon during the implementation of change to the benefit of both their employees and the organization. And they illustrate the significance of the role of the psychological contract during the experience of organization change.

Do change initiatives improve organisation effectiveness?

The findings support claims about the widespread nature of change. They also show that generally, participants accepted change as an inevitable and necessary feature of organisation life. This contradicts claims made by managers in the pilot study, (and a popular view espoused in management texts) that employee resistance to change represents one of the most significant barriers to its success.

However, evidence concerning participants' attitudes towards the outcome of organisation change raises the question of why they should accept the need for

continuous change so readily. Findings from the aggregate group and Shaw Group revealed that some participants did not always understand why a particular change initiative was chosen; it was often seen as a 'cost cutting exercise' and not an effective means of improving organisational success. Participants from Loamshire also questioned the final model of change, suggesting that decisions were senior officers' desire to protect the most senior positions. In terms of the outcomes or consequences of change, with the exception of police officers, many participants expressed dissatisfaction and it was clear that organisation change could have detrimental effects on employees and the organisation.

It therefore seems questionable as to whether organisation changes that are driven primarily by the need to reduce costs, represent the best means of improving organisation success. It is suggested that other change initiatives might be more effective in achieving organisational objectives and thus avoiding some of the negative consequences that impact on employees.

Change management

Whilst promises of job security and regular advancements are no longer a realistic proposition, evidence has shown that a positive evaluation of 'change implementation' provides an opportunity to accept and adjust to psychological contract changes. The findings emphasize the need for management to consider the implications of change on employees and to ensure that, regardless of the outcome, individuals are treated with fairness and respect. The benefits of involving employees in decisions making and the implementation of change initiatives were shown. However, many participants expressed a degree of dissatisfaction with the processes and procedures for change and the way in which individuals are treated.

Some of the managers from the aggregate group that were interviewed claimed that their organisation acknowledged the need to address 'the human issues', but they did not have the time or the resources. It would seem that organisational objectives are prioritised and addressing the concerns of employees is a low priority. Findings presented here reveal some of the consequences of ignoring them. However, the

findings from Loamshire challenge claims that 'people issues' are neglected because of lack of resources. Loamshire employed a full time review committee for twelve months. The financial costs were huge, yet there appeared to be no pressure to reduce costs or make more effective use of human resources. However, participants were as dissatisfied with the implementation of change as Shaw Group and some members of the aggregate where no such resources were available. It is suggested that despite sufficient funding, time and human resources, the review team remained focused on strategy and the 'people issues' were largely ignored.

Evidence from Loamshire suggests an additional reason why the 'people issues' are given low priority on the change agenda. The changes were driven top down and it was suggested that organisation politics played a part in determining the new structure of the force; senior management wanted to protect their own positions. Interviewees claimed that the structure of the organisation had already been determined and the review process might have been a paper exercise to gain employees' support.

Turning to Shaw Group, Hubbard and Purcell (2001) suggest that half of acquisitions, mergers and takeovers are unsuccessful because the 'human factors' are badly managed. With the exception of the finance department there was little evidence to suggest that management addressed these issues. Senior managers did not appear to consider the implications of some of their actions on employees. Whilst the need to reduce the workforce was acknowledged, the handling of the redundancies was strongly criticised. Management paid little or no attention to the affects of job losses on those involved or those left behind. Several interviewees suggested that management sometimes used job security as a form of control and evidence from Shaw Group supports this suggestion.

There was however, evidence to suggest that there can be internal and external constraints and pressures that might determine how change is managed. For example, senior management was under immense pressures. They believed that to gain the confidence of the parent company they needed to show immediate results; hence they focused only on short term objectives and employees' concerns were overlooked. Reducing costs as opposed to increasing efficiency was perceived as a means of achieving results.

Therefore, whilst initially, blame might be attributed to management for ignoring the 'people issues', a closer analysis suggests that they were not always in a position to do this. They were under constant pressure from the shareholders, CEO and middle management and they were aware of what might happen if they failed to fulfil their objectives.

Significance of the psychological contract to management practice

It is important for management to understand the role of the psychological contract, especially 'predictability and control', in the context of organisation change. Initially, these findings might seem of more theoretical than practical value. However, this study has shown how the announcement of organization change can impact on the psychological contract. Whilst organisations often provided information about organisational objectives, management can be less forthcoming in providing employees with information about how change might affect their roles. Hence many participants experienced a period of uncertainty and anxiety whilst they waited for information. A number of interviewees claimed that it was 'the not knowing' that caused anxiety and stress.

On a more positive note, if management understands why employees react to change in certain ways, and why they might resist it, it will place them in a better position to address employees' concerns and thus gain their acceptance and commitment to its success.

There are some practical implications for management concerning the importance of 'predictability and control' over 'degree of balance'. Within HRM and management in general, there is popular belief that outcome measures such as job satisfaction, commitment, OCB and performance will be enhanced by reward incentives. Performance related pay, share options, investments in training and development, increased autonomy and encouraging employees to set their own performance objectives, are perceived by many participating organisations as replacing the more traditional rewards of annual pay increases, job security and a clear promotion

structure. Such incentives are thought by many HR practitioners to address the imbalance between inputs and rewards as demands on employees increase. However, participants were less concerned about receiving these rewards than they were about issues associated with 'predictability and control'. Furthermore, 'predictability and control' was more likely to influence employee and organisation measures than 'degree of balance', which contradicts some of the assumptions. It is suggested that incentives to motivate performance will not be effective unless 'predictability and control' factors are dealt with first.

High levels of OCB do not indicate a positive attitude

Management would be misled in assuming that high levels of OCB and low turnover intentions are indicators of a positive attitude towards the organisation. Many participants expressed a negative attitude and there was also concern amongst some managers that the cynicism, defensiveness and aversion to taking risks would be detrimental to organisation success.

The findings show that some participants' desire to remain with the organisation and their willingness to engage in OCB increased in line with threats to job security. Lack of available options and fear of the consequences of leaving increased their concern over job security and subsequently the extent to which they engaged in OCB. The only exception was their 'willingness to take risks for the organisation', with which only the minority agreed. Interviewees also claimed that 'getting it wrong', might increase the risk of losing their job. It is proposed that whilst HR initiatives might be successful in improving employees' performance, job insecurity has also replaced the more traditional autocratic methods of controlling the performance of the workforce.

It seems inevitable that actions taken (or not taken) in the shorter term will have longer term implications; the consequences were apparent. Dissatisfaction with 'change implementation' had a negative impact on 'psychological contract re-appraisal'. Many employees found the uncertainty difficult to live with and this subsequently had a negative impact on employee and organisation outcome measures. At Shaw Group, morale was extremely low and employees lacked confidence in the

future. Stress levels were relatively high. Whilst OCB was high, it was not attributed to a high level of commitment to Shaw Group, but to the need to protect their jobs. Employees were generally mistrusting of senior management and relationships with their immediate boss were not particularly good. There were also implications for the success of Shaw Group. Because of the redundancies some departments were short staffed and the remaining employees were finding the workload difficult to cope with. The outdated technology frequently broke down and jobs were held up whilst it was repaired. Furthermore, Shaw Group was unable to compete on both price and manufacturing time with competitors that had invested in new machinery and technology.

The findings from Loamshire reveal how actions taken by senior management to protect their own interests, prevented Loamshire from realising the maximum benefits of the review. Senior management realised that three areas as opposed to five would have represented a better structure. The review process is therefore likely to be repeated at huge costs to the organisation.

Because of the way in which civilians were treated and because of the differences in employment contracts, it has sent out a message that their role is less important. This has implications for relationships between civilians and police officers who work together and contradicts the idea that members of a team should have equal status. These findings might have implications for other organisations, such as those where some of the more peripheral or support roles are contracted out or where some employees secure only a temporary contract. Employees might perform the same tasks, but they may be hired on less favourable terms than when they worked directly for the organisation. Do employees who provide these support functions feel undervalued and what impact does it have on the relationship between these employees and those who receive more favourable terms and conditions?

In conclusion, this chapter has provided a better understanding of the role and importance of the psychological contract in organisation life. It has shown that a cognitive conceptualisation of the psychological contract provides a useful means of first, understanding the role that it plays in organisation life and second understanding more about employees' experience of change. It is suggested that both psychological

contract research and prescriptive recipes for change have overlooked a number of significant factors. This chapter has illustrated how complex and multifaceted the psychological contract is and how on the one hand it can be fragile and unstable and how on the other hand it might be resistant to change. These findings represent a challenge to the suggestion that it can be managed in any simplistic sense. It has also demonstrated how important change implementation procedures are for both employees and the organisation. From a practical managerial perspective it highlights some of the difficulties in managing organisation change.

Chapter 7

Reciprocal Brutalism: the emergence of a new psychological contract?

Employees' perspective

'My staff are beginning to twig that the way out, or to advancement is to study and the organisation can pay for it. When I finish my studies, I'll be looking elsewhere. I'll have that bit of paper that says I'm academically good enough. You've got to fight back'. (Manager, benefits agency)

Management perspective

'We've had problems through our graduate scheme because they have such high expectations. ... So they're the ones holding the knife to our throats'. (Personnel manager, Manufacturing)

Introduction and chapter outline

In the previous chapter it was suggested that factors, additional to those suggested at the outset of this research, can influence: perceptions of the psychological contract; the ways in which it is perceived to be affected by organisation change; participants' evaluation of 'change implementation'; and their behavioural and attitudinal responses. Whilst these were discussed only briefly, the findings that emerged began to reveal the complexity of the psychological contract and some of the problems associated with change management.

This chapter begins by examining interview data from the aggregate group, Shaw Group, police officers and civilians to determine how each of the following factors (fig 7.1) might relate to participants experience of change.

- | | |
|----------------------------------|---|
| • Personal predisposition | • Alternative employment opportunities |
| • Previous experience | • Personal circumstances/constraints |
| • Age/length of service | • Management style |
| • Type of industry or profession | • Training/preparation and Support |
| • Organisation culture | • Consistency of treatment during change implementation |
| • Ageism | |

Fig. 7.1 Additional factors influencing the process of change

These are categorised under a series of headings: Individual differences; career expectations; organisational influences and availability of options. These form the structure of this section of the chapter, which discusses the potential influences of the factors listed above.

The next section examines evidence, which suggests that if dissatisfaction with organisation change and demands on employees continue to increase, it creates a potential environment for a psychological contract based on reciprocal brutality to emerge. As comments by managers and employees illustrate, this type of psychological contract is characterised by systematic and calculated forms of mutual retaliation. It appears that some managers and employees are constantly responding to each other's behaviour as a means of restoring reciprocity, predictability and control. Frequent use of terms such as 'fighting back' and 'getting even' suggest an instrumental, somewhat brutal attitude.

Some of the theoretical and practical implications are discussed throughout the chapter; a more detailed discussion is delayed until the final chapter where the conclusions are presented from the entire study.

Effects of additional factors

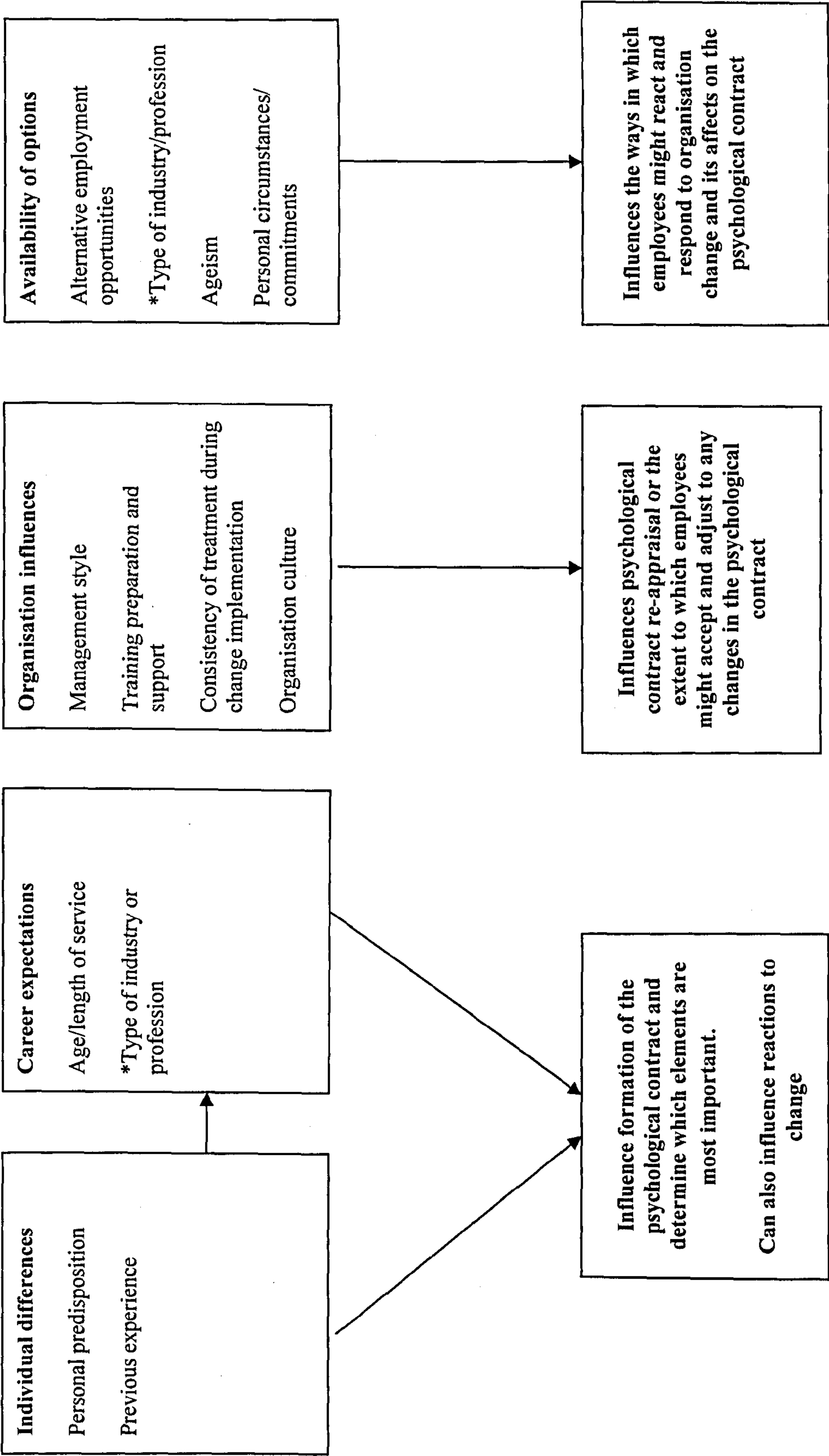
The ways in which the factors listed in figure 7.1 might be relevant to this study, became apparent through the consistency with which they were referred to by interviewees. Their significance was not considered at the outset of this research and they were not addressed with the organisation change survey. Therefore, in the absence of quantitative data, only interview data were analysed.

Figure 7.2 illustrates how each factor might influence:

- The psychological contract;
- Initial reactions to change;
- Evaluation of change implementation;
- Re-appraisal of the psychological contract
- Attitudinal and behavioural responses

In other words, they can affect many areas of the change process. Whilst this has simplified presentation of the findings, it should be acknowledged that first, certain factors, for example 'type of industry/profession' can influence more than one part of the change process and second there appears to be an interaction between some factors. Furthermore, the findings relate to a limited sample of only 85 interviewees. It is suggested that further investigations with a larger research sample would provide more confidence in the reliability, validity and generalizability of findings.

Figure 7.2 Additional factors influencing the psychological contract and the experience of organisation change



Individual differences

It was found that participants who had experienced the same change initiative, with the same implementation procedures provided different accounts of their experience. Consistent with claims made by Rousseau (1996) this study illustrates how individual differences, such as personal predisposition and previous experience appeared to influence an individual's perception of their psychological contract and how they reacted to organisation change.

Whilst some authors (Rousseau, 1996 for example) acknowledge that previous experience influences the psychological contract, it is generally agreed that an employee's perception of the mutual obligations and expectations develop through their interactions and experiences with their *current* organisation. As such, expectations once held with a previous organisation or organisations may not necessarily be part of their current psychological contract. Nevertheless, evidence from this study suggests that personal values and cognitive schemas that are part of an individual's everyday life, are likely to influence first, which elements of the psychological contract they attach the most importance to and second, how they might react to change. Interviewees suggested that some individuals accept changes in their lives in general, more readily than others do.

'The ability to change is down to individuals. Some just move on; take things in their stride, others just hate any form of change. It's down to the way they see it that determines how they react'. (Training manager, IT company)

'That's the richness of human natures isn't it? People's ability to accommodate change is true in all aspects of their existence. If you don't like change in work, you'll probably buy a ford mondeo every year rather than a Ferrari if you could afford it. It's something innate in people'. (Procurement director, Shaw Group)

'Change is challenging, it's exciting and fun. Without change, what's the point of your life? The whole environment is one of change; it's not static anymore. It's having that personal philosophy that helps you, knowing that you'll survive'. (Manufacturing manager, Shaw Group)

Previous experience also determined whether 'predictability and control' was important to participants and it influenced their reactions to change. For example,

employees who had experienced similar change initiatives find the current initiative easier to accept and adapt to.

'It affects some more than it affects me and a few others because we've been out there in the big wide world and we're used to it'. (Welding foreman, Shaw Group)

'I've been given opportunities that proved to be a very strong base. There might be a change in concept but the principles of being able to adapt to any changes are the same. Not everybody has had that opportunity and it affects their ability to change'. (Manager, Consultancy)

On a more negative note, previous experience could result in a pre-judgement of the current change initiative.

'I lost my job during a downsizing programme before; it took me and my family a long time to recover. Now, every time jobs have go, I get such a sick feeling I can't concentrate. If my job is under threat, I'll just go; I can't stand to play the waiting game again'. (Office manager, engineering)

These findings suggest that individuals who prefer stability and continuity and avoid change in their lives in general are more likely to attach importance to issues associated with predictability and control, such as clear objectives, an understanding and confidence in their position and a desire for certainty and security. It is suggested that if organisation change represents a threat to this function of the psychological contract, they may find it difficult to accept and adapt to. Schemas are no longer consistent with actual events and employees' organisation world becomes less certain. On the other hand, individuals who perceive change as challenging will be less concerned with these issues. They accept and accommodate changes into existing schemas more readily and see the benefits rather than the limitations.

This might appear to be of more theoretical than practical value. Some managers were critical of employees who resisted change suggesting that they prevented the organisation from attaining some of its objectives. Showing how individual differences influences reaction to change does not provide an immediate solution. How for example, does one develop effective implementation procedures if change means different things to different employees? However, it is suggested that if management can recognise why some individuals fear change and try to resist it, that

they are not deliberately trying to prevent the organisation from attaining its objectives, they might be more sympathetic towards their concerns. Rather than enforcing change on these employees, management should provide the opportunity for them to express their views. It would provide an opportunity for individuals experiencing difficulty to have their voices heard and thus a mechanism for organisations to offer additional support where it is most needed. This will be discussed in more detail in the concluding chapter.

Career expectations

The term 'career expectations' in the context of this study relates to employees' perception of their career and what they expect from an organisation(s) during their working lives. Evidence showed how participants' general or longer term career expectations can influence their psychological contract with their current organisations and subsequently their experience of organisation change. Length of service and type of industry or profession were found to influence career expectations.

Length of service

Frequent references were made to the differences between younger employees and those with long service records. The latter were more likely to remain firmly attached to the idea of a relatively stable and secure future with one organisation, despite the changes taking place around them. They found organisation change more difficult to accept and adapt to.

'People that have been here for a long time still think they've got a job for life, the idea of having to change worries them much more. The likes of us coming in know that's not a fact and it's easier to accept'. (Works superintendent, Shaw Group)

'If you've got somebody in their mid to late fifties and they realise they've got to learn all these new things, then you've got a big panic'. (Personnel manager, engineering)

Younger employees did not expect the same degree of security and certainty. They were more likely to be concerned with 'degree of balance' or the rewards they

received for their efforts. Issues that did concern them in relation to 'predictability and control' were associated with control over their career. Job security might relate to having confidence in their ability to get a job elsewhere if promotion is not forthcoming with their current employer. Younger employees were described, or described themselves as more accepting of organisation change.

'The younger ones that have joined, they're more flexible both mentally and in other ways. They don't see it like us'. (Personnel manager, manufacturing)

'They (graduates and young employees) have more awareness of the 'temporariness' of work'. (Training manager, bank)

These findings are consistent with previous research findings (for example, Hammet, 1994; Harding, 1991; Herriot and Pemberton, 1996) which suggest that a new generation of younger, highly educated workers find changes easier to accept than older employees. The former want more opportunities for development, autonomy and flexibility. Hiltrop (1995) claims that older employees, particularly those over 50, find it the most difficult to manage the changes. This suggests that younger, more qualified employees accept the notion of employability more readily than older employees, especially those with long service records, who may retain a desire for the 'old' psychological contract.

The differences between these two groups of employees can be understood in the context of schema theory. A premise of the theory (Fiske and Taylor, 1984; Lord and Foti, 1979) is that, schemas are developed through experience and they become more complex and more organised through repeated exposure to that experience. It has been suggested that the schemas of experts contain more information, and are more organised than the schemas of novices. Thus, through years of experience with one organisation, during which the work environment remained relatively stable, long serving employees might have developed schemas that are more resistant to change.

The findings here suggest that the longer an individual's environment has remained stable with relatively few changes, the more difficult it is to change their cognitive schemas or their way of interpreting their organisation world. Younger employees at the start of their career may have different beliefs in terms of the length of time they

expect to spend with an organisation and consequently, they will have formed a different psychological contract. Therefore, it is not merely an issue of younger employees being more accepting of the 'new' psychological contract and organisation change, but the fact that the 'new' psychological contract and organisation change is already part of their cognitive schema; the 'old' style contract is unlikely to have ever been so. Their psychological contract is more likely to be based on the idea of employability. As such, they do not have to make the same cognitive adjustments as long serving employees and change, either with their current organisation or through a move to another organisation is part of their way of seeing their career. In other words, it is what we come to know, what we become accustomed to that determines the psychological contract and subsequently our experience of change.

Type of industry/profession

The type of industry or profession influenced career expectations and the extent to which participants accepted change. Evidence has also shown how social, technological and economic changes in the external environment have impacted on different types of industries and professions in different ways. This has influenced how the psychological contracts of employees in a particular industry or profession have been affected.

Shaw Group for example, is a traditional engineering organisation, typical of many organisations once located in the region. Many employees, especially on the factory floor, joined as apprentices. They tend to live locally and were introduced to the organisation by family and friends already working there. They are not geographically mobile and only the minority progress up the career ladder; most remain on the same grade once qualified. Although there have been technological developments in the power construction industry, major changes, either in their own careers, or by the organisation, were not expected. It is suggested that these employees find the more recent changes in their industry, which are typical of many engineering and manufacturing organisations, more difficult to cope with than employees who are more used to a rapidly changing environment, such as IT and telecommunications.

'Things remained stable in this industry for years. You can see that engineering and manufacturing divisions have worked with the same machinery for so long. We're trying to introduce new technology, as and when we have the cash. But they're diligent and methodical, stuck in their ways. It's like pushing water uphill to get them to change'. (Procurement director, Shaw Group)

'There's a mind set in this industry that's difficult to change. At one time nearly everyone in this area worked in engineering factories. They might have worked for different companies but they were like part of a community, a bit like the mining industry. A lot of the factories have closed, been pulled down. They see their mates going off to work at B & Q and it frightens the hell out of them that the same could happen here'. (Personnel manager)

It is suggested that the experiences of these participants might be applicable to other employees working in manufacturing and engineering. These types of organisations remained relatively stable for decades. Generations of local people were employed by such organisations and many wanted and expected to remain throughout their working lives. Over the last two decades they have seen a decline in the industry and many of the old engineering sights have been replaced with other types of organisations in industries, such as retail outlets and leisure facilities, that have grown steadily. It is argued that despite these changes, employees in declining industries remain attached to the idea of 'predictability and control' and find organisation change and its affects on the psychological contract difficult to accept and adapt to.

Police officers on the other hand work in a profession where the demand for their services is increasing and they can, if they choose, remain in the profession throughout their career. There is a clear promotion structure and rewards in terms of pension and salary are relatively high. Furthermore, frequent change has always been anticipated and accepted. Changes in the external environment have not threatened police officers' career expectations.

'I joined because it seemed interesting and exciting but it provided security as well. I wanted to do something where I'd not got to worry. I still enjoy the job and there's still security'. (Chief inspector, operations)

'You know where you stand with the police. When you take the job on, you know you can be told to go anywhere'. (Constable, training)

Finally, fifteen members of the aggregate group were employed in the IT business. Whilst they worked for different organisations, their survey and interview comments were consistent. The average length of service in the industry was 3-4 years. They worked long hours, often away from home, however they expected and received high rewards. They did not expect or want job security; they wanted to be free to move to other organisations and many of them accepted short term contracts. Several of them chose to work as sub-contractors because they could negotiate better rates of pay than permanent employees. They also accepted that due to rapid advancements in technology, constant change was inevitable.

'It isn't a joke when you hear about Microsoft employees moving their beds into the office. You'll often find people here at midnight; sometimes they don't go home. But they earn a terrific amount'. (Programmer, IT)

'I've developed a long term career plan. When I've got more experience, I'll probably settle with one company, but for the next ten years, I don't anticipate staying anywhere more than 18 months to 2 years max. In this industry you can make these sorts of plans and be confident that they'll turn out'. (Trainee consultant, IT company)

'I've a problem recruiting permanent employees; they all want to sub-contract because they can earn more money. Unfortunately, there's a shortage of skills at the moment and what often happens is that half way through a contract, they get a better offer and they leave you in the crap'. (General manager, Telecommunications)

Thus it would appear that employees in growth industries, such as IT and telecommunications are more likely to have career expectations that are consistent with the notion of employability. They accept change within their organisation and their own jobs as inevitable. These participants were indifferent towards the changes they referred to. They were dismissive of downsizing programmes, accepting them as a normal part of organisation life and they were not concerned about losing their own job. This group was more likely to be concerned with specific issues such as better reward incentives, communication, and dealing with a new manager.

Consistent with previous research (For example, Blancero, 1997; Herriot and Pemberton, 1997; Hiltrop, 1995; Kessler and Undy, 1996, Kissler; Sims, 1994)

evidence has revealed how some of the changes in the psychological contract over recent years are attributed to the wider economic, social and political changes. However, this research has also shown that such changes in the external environment have affected different types of industries and professions in different ways. This has influenced how the psychological contract has been affected, which has subsequently provoked different reactions to organisation change. The decline in the manufacturing and engineering industry, which appears to employ a workforce with relatively long service records, has had a profound, somewhat negative impact on the psychological contract. The traditional rewards are no longer tenable and there are few incentives to replace them. The increase in the need for public services, such as policing, have left the psychological contract relatively untouched. And the growth in IT and telecommunications industry, at the time of this research, provided a secure job, albeit with many different as opposed to one organisation. Furthermore, it would appear that these types of organisation have attracted a workforce that is more accepting of the idea of employability.

Since carrying out these investigations, there has been a considerable downturn in both the telecommunications and IT industry, with a dramatic fall in share prices and the announcement of thousands of job losses. It would be interesting to repeat these investigations to determine whether the responses of some organisation to recent economic changes, have affected employees' psychological contract and whether their reactions to change might now be different. It is predicted that the recent downsizing in a number of telecommunications and IT companies will have had a significant on how the psychological contract is perceived. Employees who were previously unconcerned about issues associated with 'predictability and control', who focused more on the rewards they received, might now express some concern. And they might not be so accepting of organisation change, especially that which involves downsizing. A return will be made to this issue in the following chapter.

Organisational influences

Whilst the organisation change survey provided a useful means of investigating attitudes towards the management of change, interview data suggest that several

important factors were overlooked. Management style, consistency of treatment, preparation for change and continued support appeared to influence the way in which participants evaluated change implementation.

Management style

Management style in this context refers to the routine or everyday management practices as opposed to the style or practices adopted during the implementation of change. Interviewees' comments suggest that the usual or typical management style influenced their perception and experience of change regardless of any techniques or strategies employed during its implementation.

'It's all well and good getting consultants to advise how to manage change; for once managers were all singing off the same song sheet. We got used to the briefing groups and regular information. But after the restructuring they all went back to their own ways of doing things. Now we don't know what's happening again'. (Secretary, county council)

At Shaw Group, it was the inconsistency in management styles that affected employees' ability to perform their jobs both during and after the take-over. On the one hand, one manager provided an opportunity for his employees to adapt to the changes.

'There's certainly no problem with my boss. It's not been an easy time, but he's done everything he could to help us get used to what's been happening. Managers have a big impact on how people react to something like this and how well they cope'. (Financial assistant)

Participants in the aggregate group made similar comments about how their immediate boss helped them adapt to organisation change.

'We're quite fortunate because (she) organises weekly meetings to give us an update on what's happening and we can knock on her door with any problems. It's not like that everywhere in the company. Sometimes she gets into trouble for telling us too much'. (Admin assistant, book publisher)

On the other hand, some managers made organisation change all the more difficult to accept and cope with.

'He (works manager) is a very bad manager because if he gets any argument he sends them home, or sacks them. We're not used to that. It's created a terrible atmosphere and people who might cope with the changes aren't coping very well at all'. (Works superintendent, Shaw Group)

'I'm not consulted about anything any more and there's no access to see my boss. Currently I'm very seriously depressed. Although I've been here for six years, I was put on six months probation and I've taken a bigger hit than most because of the boss I ended up with. It's affecting my perception of things'. (Senior accountant, Shaw Group)

'My boss is a ruthless bastard, but he does it to stop anyone challenging him. It's a defence mechanism; rule through fear because you're out of your depth. It's hardly surprising people react badly to change'. (Training manager, IT)

A manager in the aggregate group would not tolerate employees who resisted change.

'Some of them are still resistant to change and we will be doing battle until one of us wins, and it isn't going to be them. They either accept what's happening or they're out'. (Works director, manufacturing)

And one manager thought that it was useful to withhold information from employees until the time was appropriate from an organisational perspective, lest it affected their performance.

'People say to us 'communicate with us, if we know what's happening we can cope'. But if we'd told them, it would affect their performance and some might have left before we were ready for them to go'. Manager, marketing company)

These findings show how a particular management style influenced participants' perception of their organisation's change implementation procedures and how well they coped afterwards. Managers can compensate for an organisation's poor change implementation procedures by developing their own style of management that takes account of the needs of their own employees. But, they can also negate the positive effects of an organisation's procedures. However, as will be discussed in the following chapter, managers are not always equipped with the necessary skills for managing organisation change and they can adopt a defensive style of management to protect their own positions.

Consistent treatment

Evidence from Loamshire Constabulary showed that when different groups of employees are treated differently, it has an impact on their perception of change and the way in which they evaluate 'change implementation'.

'Senior officers got away with it because civilians aren't protected and unlike police officers, they were treated appallingly'. (Traffic warden manager)

'Those at the top weren't really thinking about how it would affect civilians, they just looked after their own'. (LPU clerk)

Interviewees from the aggregate group also suggested that management was sometimes biased towards certain employees or groups of employees and that this influenced their perception of 'change implementation'.

'Managers were allowed to pick people. It's like when you're on the park playing football and the two best footballers get together and pick their mates. Others might have values, but they don't get looked at'. (Admin clerk, Bank)

'It's all about whether your face fits, not how good you are at doing your job. There's nothing objective about it'. (Personnel assistant, publisher)

Finally, whether or not one particular group was favoured at Shaw Group is unclear, but because of the persistence of the cultures of the former Aiton Engineering and Dunn, there was a perception that senior managers favoured one group.

'I was concerned that they were listening too much to those on the Aiton side. Because the ones that were getting shot, were the Dunn's blokes'. (Supervisor, construction division)

'People feel there's been a witch hunt and it depends on who you speak to; whether they're Aiton or Dunn, as to how they perceive Shaw Group and what's been done'. (Personnel manager)

This study has shown that perceptions of fairness determine how participants evaluated 'change implementation' and subsequently 'psychological contract re-appraisal'. The above comments suggest that fairness perceptions are also influenced

by how colleagues or different groups of employees are treated. The previous chapter clearly illustrated how inconsistent treatment of employees is likely to have a detrimental effect on the relationships between different groups of employees who have to work together. Participants' comments suggest that relationships between groups of employees were often fraught and each group focused on protecting their own interests rather than the overall interests of the organisation.

Preparation for change and continued support

The terms 'preparation for change' and 'continued support' encompass several issues, the most notable being training and practical support. Whilst the 'change implementation scale' included statements on support and training, the quantitative findings did not highlight the importance of these issues. For example, Loamshire Constabulary was perceived as having failed to prepare civilians and sergeants for the review or support them after it was implemented.

'We changed the structure, the way people work, their attitudes to work and we expected them to be able to perform at the same level without giving them the support, encouragement and coaching that we gave to designing the system and the structure'. (Chief inspector)

The aggregate group also emphasised the importance of adequate preparation for change and of continued support once it was implemented.

'You need to provide support mechanisms whilst you plan and implement change and keep them in place for as long as they're needed. It's so simple but companies worry about the costs when in reality it's insignificant compared to what we pay change consultants to design a system'. (Personnel manager, manufacturing)

'Because they haven't been trained properly, some of them did it wrong and you've got to go back and tell them they've done it wrong and that makes it even worse for them'. (Manager, civil service)

Lack of training, preparation and support could have longer term cost implications for organisations.

'We sent them (civilians) out to the LPU's without a second thought for how they would cope. When things went wrong they started panicking

and then they did things wrong. You've got to pick up their mistakes, which can be quite costly. So I'd say that it's backfired and cost us money'. (Support manager, Loamshire)

'There's no training budget, so they only got basic training on the new machinery. Some of them needed their hands holding and because they were so nervous they made mistakes and the first batch that came off had to be scrapped, which made them even worse. We can't afford mistakes like that'. (Works superintendent, Shaw Group)

We cut too many corners when the new computer system was installed. We weren't prepared to pay for the back up and support because management thought we had enough 'in house' support. It proved we didn't and we had irate customers because they were kept waiting. It's not done our image any good at all'. (Asset manager, Water Company)

'If you don't invest in training in the short term, it will cost you much more in the long run, because people make mistakes'. (Administrator, book publisher)

From a theoretical perspective, these findings relate to some of the issues discussed in chapter two regarding the formation of the psychological contract. They show how participants needed the opportunity to gather information and to learn through their experience to enable them to develop new cognitive schemas or ways of interpreting their new environment. Evidence presented here shows that if participants were not provided this opportunity, some of them became anxious and confused and consequently made mistakes that were costly to the organisation.

From a practical perspective these findings show how important it is for management to recognise the effects of the organisation influences discussed above, for they suggest that there are factors within organisations' control that can help to overcome some of the negative affects of change.

Availability of options

Factors under the heading 'availability of options', fell into two distinct categories: 'alternative opportunities' and 'pressures to remain'. Both of these appeared to

influence participants' behavioural responses to organisation change and its impact on the psychological contract.

Alternative opportunities

Evidence presented in chapters five to seven showed that when alternative employment opportunities were available, it reduced the level of concern over issues associated with predictability and control. That is not to say that when jobs were available participants actively sought another position; overall, turnover intentions were low. It seems that opportunities to leave the organisation provide a safety net should the need arise. These participants did not feel the need to increase OCB as a means of protecting their employment.

'This is about the fourteenth redundancy I've witnessed and it fails to shock you. If it happens it happens. I could get another job, I'm pretty sure that I could'. (Construction worker, Shaw Group)

'It wouldn't be difficult to get a job in my industry. So you stay and see what happens because you feel you're in control. I know I can leave if it gets tough and I think having that option makes me more tolerant than someone who couldn't get a job elsewhere'. (Training manager, IT)

The type of industry was discussed earlier in the chapter in relation to 'career expectations'. Evidence also suggests that this factor determined the availability of alternative employment opportunities. For example, The manufacturing division of Shaw Group and some of the manufacturing organisations in the aggregate group represent examples of industries in which there is a scarcity of jobs. Conversely, at the time of this research, there was a skills shortage in some IT and telecommunications organisations. Interviewees' comments suggest that responses to changes in the psychological contract by the latter group, are likely to be similar to those described by previous researchers (Rousseau, 1996); employees may withdraw effort, challenge the organisation or leave to work elsewhere.

'We have to offer decent incentives to attract employees. Some are very impatient and if they think that you haven't offered what they expected, they'll let you know. They start by pointing out what you offered them when they started and if that doesn't work they just switch off until they find another job'. (General manager, telecommunications)

Pressures to remain

Several factors prevented participants from responding to changes in the psychological contract in ways that they might prefer. These constraining factors placed pressure on employees to remain with their organisation and they were also likely to have an impact on OCB.

- *Ageism*

Limited employment options for some older employees, increased pressures to retain their jobs. Interviewees aged between 45-55 (and those referring to employees in this age group) commented that they were concerned that if they were made redundant, they had limited options.

'That's the worst possible age isn't it (late 40s), that's where I am. A lot of people feel if they got made redundant from here, their career has ended, there's nowhere for them to go. The pressure to perform is even greater. There's a big concern about ageism now isn't there?' (Personnel manager, manufacturing)

'People in their early fifties that lose their jobs seem to take ages to find something and it's never at the same level. Some companies have spoken out about ageism and claim equal opportunities policies, but whatever they say, they're looking for younger people. It keeps me on my toes because I don't want to go down that road'. (Sales director, medical sales)

- *Personal circumstances*

Financial pressures such as the need to provide for a family or to protect pensions placed pressures on some participants to protect their jobs.

'People are seriously worried if they've got kids and a mortgage to pay. It certainly changes your perception of change if you're stuck here'. (Shaw Group)

'If I could take the pensions now, I would be OK, but it's still a few years away. I just have to work the best I can and put up with it, because there's a lot to lose by leaving. I think it makes it more difficult for people of my generation to cope. It's a bit of a trap'. (National bank)

‘For some it’s their bread and butter. As much as they might have loyalty to the people they work with, they have a bigger loyalty to their family. So you fight and hang on in here’. (Machine operator, manufacturing)

At Loamshire Constabulary, pressures of family commitments had the opposite effect. Some employees were unable to stay with the organisation because the demands of work and home were incompatible after the restructuring.

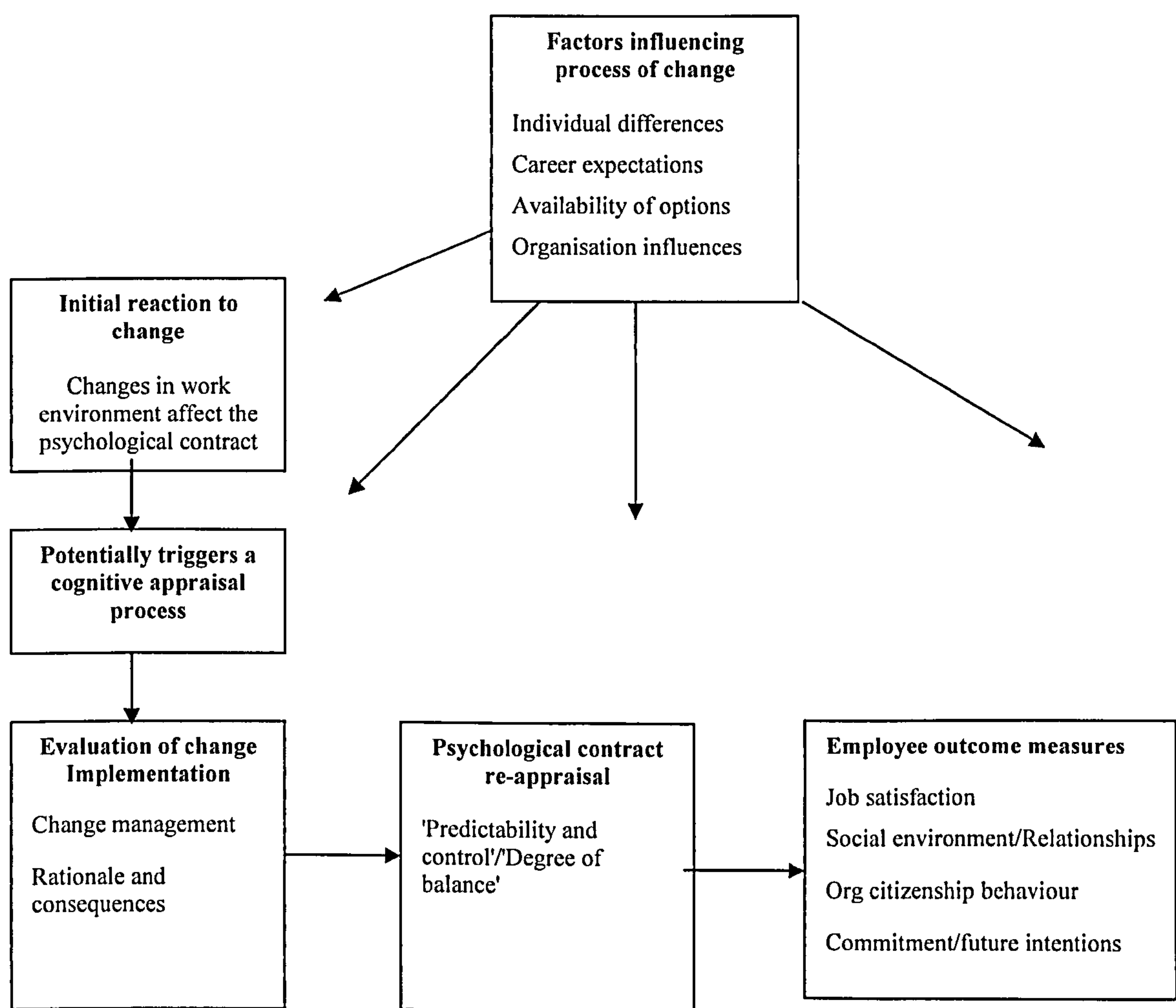
‘It caused some of them problems; they’d chosen this flexible job because it suited their family commitments. They knew the review would take that away, so they couldn’t accept it’. (Chief superintendent, Loamshire)

‘Quite often their salary wasn’t enough for them to have a car and they worried about getting to work, even if it was only six miles up the motorway. They unfortunately had to leave’. (Assistant support manager)

These comments suggest that when participants believed there were other options, they were less concerned about the implications of change. It did not influence their decision to leave, but provided a sense of control over their future. Lack of options, and pressures to remain increased the level of concern and influenced the ways in which they responded to organisation change.

This section provided evidence to suggest that a number of factors, additional to those illustrated in the original model of change can influence the psychological contract and participants’ experience of organisation change. Each has been discussed in relation to a particular stage in the change process. Figure 7.3 represents a revised model of change, which incorporates these additional factors. However, as suggested earlier, the model is not intended to imply that employees’ experience of change is a linear process, it is intended to show how certain factors can potentially influence other factors associated with employees’ experience of organisation change. In terms of the additional factors discussed above, it was shown how several factors could have an impact on more than one part of the change process and furthermore they interact with each other. Therefore, the arrows are intended to reflect the idea that these factors can potentially influence employees’ perception and experience of change. Further empirical investigations are recommended to determine whether they exist as independent constructs and how they relate to the process of change.

Fig 7.3 Revision of the proposed model of change

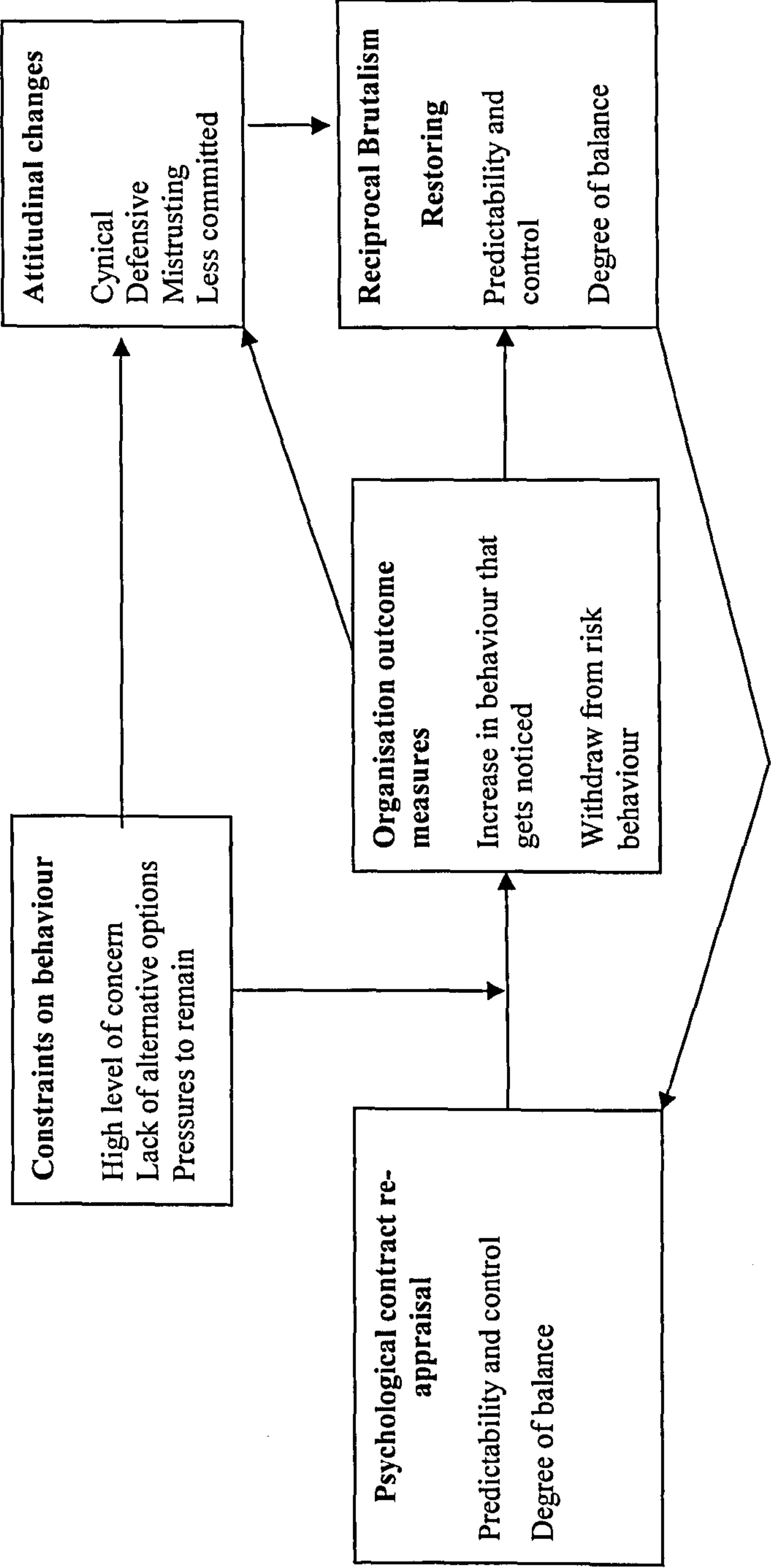


'Reciprocal brutality': a new type of psychological contract?

This section discusses the potential accumulative effects of continuous organisation changes as a result of some managerial and employee actions. It describes how a psychological contract based on 'reciprocal brutality' has emerged in some organisations. This term has been adopted for the study to describe a psychological contract characterised by managers' and employees' calculated and exploitative (behavioural and attitudinal) responses to each other's behaviour. These intentional and manipulative actions taken by management and employees have been interpreted here as a way of ensuring that neither party has an advantage over the other party. In other words, it is an attempt at restoring reciprocity into the relationship; hence the use of the term 'reciprocal'. And the attitudes of both management and employees that appeared to underpin their responses, confirms the appropriate use of 'brutality'. Based on the evidence presented throughout this entire thesis (including the findings from the pilot study, appendix 1.1) this section describes the process through which this type of psychological contract might develop.

Some of the alternative employee responses to organisation change, illustrated in figure 7.4, are explained in the following pages.

Figure 7.4 Alternative responses to organisation change



Employees' withdrawal from risk associated behaviour

Findings from this study have consistently shown that many participants perceived their ever-increasing contribution to the organisation (such as high levels of OCB) as a means of ensuring that their efforts are noticed and thus increasing their chances of retaining their jobs. Further evidence has revealed that an additional response to the perceived lack of security is to avoid taking decisions or acting in ways where there might be an element of risk. Many participants were afraid of taking risks because they perceived a 'blame culture'. If the outcome failed to turn out as planned, they might be faced with the blame.

'Because they never knew what was happening, they worried and constantly looked over their shoulders. People were defensive and they'd think, I'm not going to put my neck out for that, I'll keep my nose clean'.
(Personnel manager, manufacturing)

'The organisation became less dynamic because everyone was defensive. We're afraid to take risks anymore because it might cost us our jobs'.
(Project manager-National Bank)

'If you had an idea before, you would just come out with it, maybe even try it out. But now, you keep it to yourself in case it goes wrong, because if it does, they can blame you, and get rid of you can't they?'
(Supervisor, Shaw Group)

'You have to play safe. Do jobs where you see results and don't try anything risky in case it backfires. It's all a game, all about protecting your job'. (Welder, Shaw Group)

These comments might explain why many participants (excepting police officers) were less likely to take risks than they were to engage in other types of OCB. Police officers rated psychological contract re-appraisal more favourably and they were willing to take risks because it was not necessary to protect their employment.

Attitudinal changes

Whilst employees' contribution to their organisation might appear to be high, if they were dissatisfied with the management and consequences of organisation change, a

change in their attitudes towards the organisation was apparent. A number of interviewees suggested that employees were more mistrusting of management and not fully committed to the organisation. They were described as more cynical, more focused on their own interests and less inclined to consider the success of the organisation.

'They're much more cynical now and there's a general mistrust of management. They've tended to disengage and there's less commitment, but what can you expect?' (Personnel manager, manufacturing)

'We're like a load of robots on the outside, you know, doing everything we're told. You have to if you want to stay. But you talk to the lads away from the shop floor and they hate what's happening here, they have a very negative view of the company'. (Installation, Shaw Group)

'I keep my thoughts to myself. I'm probably working harder than ever before, but I can't say I have any emotional attachment to this company anymore because of what they've done'. (Administrator, private hospital)

Some managers suggested that it was understandable that management and the organisation should be perceived in this way and they commented on the implications this might have for the organisation. They also implied that, as individuals, they were powerless to do anything about it.

'We just told people that we were restructuring and they might be doing a different job. Then we just left them hanging there. We definitely blew our trust with them'. (Project manager, bank)

'We might have achieved the objectives set out by the senior management team, but there's a complete lack of trust in management because people think you knew about this earlier than you let on. There's an awful lot of negative thoughts but what else can you expect?' (HR director, engineering company)

'Employees are extremely nervous and unhappy and morale has just gone through the floor. Last week, having to manage it, was one of the worst weeks of my life, it was horrible'. Manufacturing director, engineering

There was also evidence to suggest that some senior managers were as dissatisfied with the way in which change was managed as their employees were. One of the pilot study interviewees described an incident involving a senior manager, who found

an unusual method for expressing his frustration with his organisation for the way in which the workforce was treated.

‘Momentarily, he held his colleague, also a senior manager, responsible. He walked into his office and pushed his pizza into his face. He said, “I’m fed up with you and your attitude towards your staff”. When tempers had calmed down, the recipient of the pizza saw a funny side to and he said that he would arrange to take pizza off the menu. Whilst there was a humorous side to it, the circumstance surrounding it were by no means funny’. (Consultant, management consultancy)

On the other hand, as shown earlier in this chapter, some managers’ attitudes towards their employees were as negative as their employees’ attitudes towards management. For example, claiming that it was beneficial to withhold information from employees until the time was right from an organisational perspective in case it affected their performance, and speaking in terms of employee resistance in terms of ‘doing battle until one of us wins, and it isn’t going to be them’. It was also shown that some of the Shaw Group managers felt that fear of job loss motivated performance, ‘keeping employees on their toes’.

Throughout this thesis, the immediate and longer term implications from both an employee and organisational perspective have been uncovered. Participants were generally dissatisfied with change implementation. Organisation change had had a negative impact on job satisfaction, the social environment and relationships at work and stress levels continued to increase. As suggested in previous chapters, from an organisational perspective, management would be wrong to assume that high levels of OCB indicate high levels of commitment or a positive attitude towards the organisation. Whilst lack of security and control might be perceived as a means of controlling employee behaviour, it does not control their attitudes. A defensive, cynical workforce that is mistrusting in management is unlikely to exhibit the commitment that is necessary for the organisation to achieve its longer term objectives. Furthermore, creativity and innovation, competencies that contribute to organisation success, are associated with a degree of risk but also a degree of security and stability. In an ideal environment employees would feel confident enough to take risks without fear of the consequences. Participants’ reluctance to take risks, suggests that some organisations are not realising the full potential of their employees because

they have created an environment in which they fear the consequences of getting it wrong.

Where might this be leading?

As change appears to be an inevitable characteristic of organisation life and there is little evidence to suggest that either its scale or pace will alter in the foreseeable future, where might this be leading? The findings from this study suggest three possible scenarios. First, a number of interviewees suggested that some employees have 'had enough' and they are leaving the organisation? From an organisational perspective, managers were concerned that if the 'best employees' continued to leave, all that would remain would be a 'body of mediocrity', which they claimed was no way to take the organisation forward with. From an employees' perspective, it raises the question of whether another organisation would be any different from the one that they leave.

Second, many employees have found that lack of employment opportunities, due to a number of factors such as their age, the type of industry and their personal desire to remain with their current organisation, limits their options. Whilst they might be dissatisfied with in their jobs, it is not their intention to leave. In this scenario, where employees and some managers express dissatisfaction with their work, a number of management interviewees were pessimistic about the future for employees and organisation success.

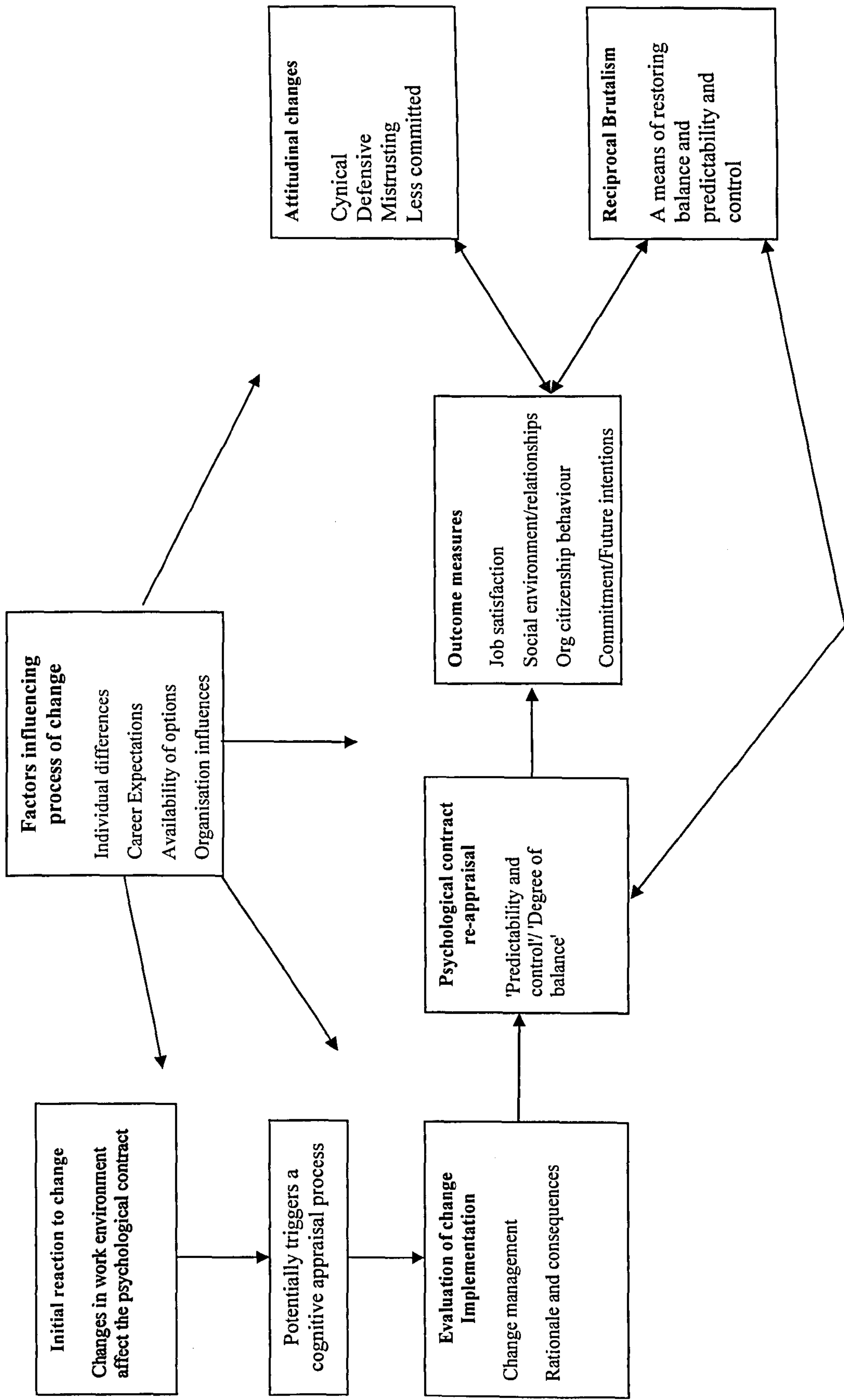
'I think that morale will continue to be very low, which will affect commitment and everything. And I think it will continue to be reflected in the output, efficiency, productivity, all the things that we are measured on will continue to suffer as a consequence'. (Production manager, engineering company)

Thus, it would appear that unless managers turn their attention to addressing employees' concerns, some of the problems associated with organisation change, such as dissatisfaction, stress, lack of commitment and a negative attitude towards management will continue to escalate.

In the third scenario, it appeared that some employees were taking actions to ensure a more equal balance between inputs and rewards and to restore a sense of predictability and control. However, as 'reciprocal brutality' would suggest, management has already prepared a response. It is to this scenario that attention is now turned.

Figure 7.5 illustrates how the model has again been revised to account for these alternative responses to change and how these might subsequently influence 'psychological contract re-appraisal' and employee and organisation measures.

Figure 7.5: Further Revision of the proposed model of change



Employees have the advantage?

Evidence presented in this and the three previous chapters has consistently shown that younger employees, especially graduates, perceive the idea of long term security as unrealistic. They appear to accept and support many of the principles that underpin employability.

‘Expecting job security in today’s job market is a bit like hanging on to a black and white TV. I’ve seen what it’s done to my dad but I can’t understand why he wants to keep working at that place. In my mind its about looking after your own career and gaining experience wherever you can’. (Graduate trainee, Water Company)

‘I don’t think you’ll be better thought of if you say you’ve worked somewhere for the last fifteen years. It could go against you, companies want a diversity of experience not just one company’s way of doing things’. (Trainee programmer, IT company)

However, this has raised concerns for some managers who claimed that graduates have more control over their careers than organisations do. Managers commented that graduates’ contribution to the organisation in terms of commitment, flexibility and innovation is high, but so are their expectations. If organisations are unable to offer them promotion, after investing in training, they seek employment elsewhere. They were perceived as using organisations to gain experience to pursue their own personal goals and a drain on resources.

‘We’ve had problems through our graduate scheme because they have such high expectations. A couple of guys on their last appraisal said they’d reached the end of their patience and if they’re not given a new opportunity, they’ll leave. So they’re the ones holding the knife to our throats’. (Personnel manager, Manufacturing)

‘Young people use it as a stepping stone now. There’s the definite lines on CV merchants. You can tell them at interview. They’re never in a job for more than two or three years’. (Manager, benefits agency)

‘Graduates and ‘high fliers’ are one of our greatest assets. They bring creativity and innovation into the organisation, but they’re also costly and difficult to keep satisfied’. (HR assistant, engineering)

Learning from example

Interviewees' comments suggest that some older, more experienced employees recognised that the qualifications and skills of their younger colleagues open up employment opportunities. They have realised that it is necessary to update their own skills and qualifications to remain 'employable'. A number of interviewees, especially those in management positions, were currently studying for an MBA or similar qualification. They claimed that delayering had reduced advancement opportunities and qualifications would place them in a better position to find alternative employment should the need arise.

'Companies want more than just experience, you need training and qualifications. Young people are different. I feel let down and my company are going to pay for my training'. (Supplies manager, NHS)

'The organisation's willing to invest in training, they don't realise that once we've done it, we'll be off. We need qualifications to stay ahead of the game and compete with the new graduates'. (Training manager, bank)

'Funnily enough, they're saying we want skilled, 'well tuned in' people, and we'll help financially. But the irony is, when they're qualified, they're off. I'm surprised that they haven't put a to stop it'. (IT manager)

As the opening quote to this chapter suggests, employees perceive the use of organisational resources to fund training and development as a way of 'fighting back'.

Evidence suggested that the concept of increasing promotion prospects, or securing alternative employment opportunities through training and development, had cascaded down the organisation. Employees on lower grades were demanding formal training.

'When we downsized, they realised those with formal training got jobs. Operators trained to operate a specific machine really struggled and some have had to retrain to get another job. Employees on the shop floor have been asking to go on courses because they think if it happens to them, they'd better be ready. The problem is we can't just suddenly find the money to do it'. (Personnel manager, manufacturing)

One personnel manager claimed that typists were requesting training to prove that they were qualified to do their current job.

'It's as if they are saying; if you're going to make me redundant and force me onto the job market, then I want something to convince employers that I can do the job'. (Personnel assistant, county council)

These actions have been interpreted as a means of increasing the level of 'predictability and control', albeit with other organisations rather than with their current employee and restoring the balance between inputs and rewards. It has been suggested throughout this thesis that 'degree of balance' was less important than predictability and control. However, as suggested by Capelli (1997: 54), 'the norm of reciprocity runs deep in every society and employees who have kept their side of the bargain feel that the contract has been violated if the employer deviates from its obligations'. Evidence presented here suggests that if promotion opportunities and security are no longer tenable, and employees' usefulness is time limited, organisations are perceived as fulfilling their obligations by funding training and development. It was perceived as a means of 'getting even' or restoring the balance between employee inputs and the rewards they received.

Within Loamshire Constabulary, the only evidence of this was amongst civilians, but opportunities were limited. The concept of using the organisation as a 'stepping stone' was dismissed by police officers.

Within Shaw Group there was little, if any evidence to suggest that employees were taking such action to restore the balance and reduce the uncertainty. It was clear that if employees considered this option, it would be denied since the training and development budget was virtually non-existent. Several participants expressed their concern about lack of training and their skills rapidly becoming obsolete. It is suggested that the scarcity of options for dealing with the insecurity, especially for workers in the factory where the chances of alternative employment were minimal, might explain why morale and job satisfaction were low and stress high. In other words, Shaw Group, as well as other participants for whom there are limited alternative options, would fall into the second scenario.

Organisations have prepared a response

Turning back to the third scenario, interviewees' comments suggest that management quickly recognised that employees' actions can result in significant costs to the organisations. Earlier comments show that some managers felt that graduates 'have the upper hand'. If other employees are following their example, organisations will either have to provide career opportunities for ambitious employees, or accept that other organisations might be the beneficiaries of their investments if employees leave. Several interviewees commented that they were surprised that their organisation had not recognised that employees intended leaving and thus reduced spending on employee development. Managers' comments suggest that whilst they realise that the balance between inputs and rewards might be in the employees' favour, to withdraw support for training and development could potentially result in further problems. Their employees will lack the necessary skills and competencies to take the organisation forward.

'If we cut the training and development budget, we'll face a skills shortage before very long and what we save we'll have to pay out in higher salaries to people that have got the skills we need'. (General manager, IT company)

Nevertheless, as 'reciprocal brutalism' implies, a minority of managers have already prepared their responses. Comments by several managers suggested that their organisations are seeking ways to avoid incurring training costs if they are not the beneficiaries of their investment.

'Our graduates cost a fortune in the first two years and we don't get much of a return. We're introducing a scheme whereby if they leave within a certain time of completing their training, they get charged for some of it. We'll deduct it from their final salary'. (General manager, telecommunications industry)

'Microsoft run a course for programmers. It more or less guarantees work but it's very expensive. It's a catch 22 situation; if our employees have it, we can charge more for our consultants, but once they've got it they often go elsewhere. From next month they're going to have to pay us back if they leave'. (Consultant manager, IT)

Whilst the above comments were not representative of the majority of managers, given the already established pattern of reciprocal responses, it does raise questions of how long will it be before other companies take the same course of action and, will there be a subsequent response from employees? Meantime, the somewhat negative, instrumental and at times brutal attitudes that managers and employees can exhibit towards one another, also raises questions of what is happening to the relationship between employer and employee and where might this be leading?

In the concluding chapter, the antecedents, consequences and longer term implications of reciprocal brutality are discussed within the context of the overall findings. The evidence indicates that whilst change management procedures might have been the catalyst for reciprocal brutality, there are a number of constraining factors, which determine how organisations change and how the change management agenda is established.

Finally, before turning to the concluding chapter. It is suggested that 'reciprocal brutality' differs from both the 'old' psychological contract and a 'new' one based on employability for several reasons. According to Sims (1994), employability has been advanced as the mechanism to restore a *healthier* balance in the exchange between employer and employee. It envisions an arrangement in which both parties *accept* that work is unlikely to be the long-term proposition it once was. It marks a move away from a paternalistic to a performance culture, from providing lifetime employment with one organisation to improving an individual's 'employability' in many others. In exchange for high levels of performance and commitment in a shorter term employment relationship, the company pays higher wages and invests in the employees' development. This makes them more marketable when it is time to move on. Managers should help co-workers recognise if demand for their skills is shifting, and encourage them to seek the necessary training. This study challenges some of these fundamental principles in several ways.

First, whilst younger employees might accept that security and control over one's career is attained through employment with many different organisations, many employees have yet to accept the idea or they accepted it reluctantly.

Second, participants' comments suggest that, contrary to Sims' claims, employees as opposed to their managers have initiated training and development to improve employability prospects. This is consistent with research by (King, 2000) who suggests that the increase in training and development have been at the employee's not the employer's instigation.

Third, there was little evidence of the '*healthy*' balance in the exchange that Pascale suggest. Rather than focusing on reciprocal obligations, expectations and promises, an acceptable level of predictability and control and balance is secured through looking after only one's own interests. Employees used phrases such as 'fighting back' and 'getting even' and managers used terms such as 'holding the knives to our throats' and 'having the upper hand'. It is argued that it is the attitudinal component of this relationship between employer and employee that distinguishes it from employability.

Finally, charging back the costs of training and development suggests that these organisations are interested only in 'internal' not external employability. This finding is consistent with more recent claims made by Rajan (1999). Such actions are unlikely to improve the relationship between employer and employee; they send out a message that organisations have no interest in their employees. Thus the term 'reciprocal brutalism' seems appropriate to describe this type of employment relationship, which does not suggest a *healthier* balance in the exchange.

The final part of this chapter presents a summary table (7.1), based on evidence from this research, which compares the intended organisational objectives or rhetoric with some of the realities or consequences of organisation change.

Table 7.1 Objectives and rhetoric versus some of the realities of organisation change.	
<i>Organisation objectives and rhetoric</i>	<i>Part of the reality of organisation change</i>
Develop flatter structures	Fewer promotion opportunities, loss of job security
Increase commitment and motivation	Lack of commitment and motivation
Encourage team working	Can result in employee conflict if status of members unequal
Innovation and creativity	Lack of innovation. Employees reluctant to take risks for fear of consequences
Flexibility	Has a cost to some employees who have to accept less favourable employment contracts.
Develop trust between management and employees	Mistrust of management, cynicism and defensiveness
Employee satisfaction and well being	High levels of stress. Some employees reluctant to seek help because of implications on career. Absenteeism through ill health
Develop skills of the organisation through investments in training and development	Employees exploit the organisation for personal development. Organisations reluctant to accept the costs, have subsequently responded.
Develop a healthier 'reciprocal' exchange between employer and employee.	Potential for 'reciprocal brutality' to emerge

This chapter has raised a number of issues, which undoubtedly have significant theoretical, research and practical managerial implications. Attention is now turned to these in the final chapter, which brings together the findings of the entire thesis.

Chapter 8

Still a long way to go

‘We never seem to have the time do things properly. We claim we don’t have time to consider people or to manage change effectively, but then we have to find twice as much time to deal with our mistakes and put things right. You’d think that we’d have learned by now, but we haven’t’. (Personnel manager, engineering company)

Introduction

This chapter discusses the theoretical and practical contributions from this entire study and makes recommendations for future research and management practice. The purpose of this introductory section is to review the rationale for this study, the research objectives and the anticipated outcomes that were outlined in chapter one.

Chapter one described how economic, social and technological changes at the macro level have put pressures on organisations to introduce changes in order to reduce costs, improve efficiency and stay ahead of the competition. However, evidence from organisation change research, media sources and informal discussions with managers at the outset of this research, suggested that, despite the scale of change, organisations appear to achieve limited success. Some change initiatives can have negative implications for employees, with subsequent influences on the extent to which change achieves its objectives. Furthermore, it appears that continuous changes over recent years, such as new technology, downsizing and initiatives to increase employee flexibility, have brought about some fundamental changes in working patterns. According to some large scale surveys (IPD, 1999; 'Quality of Working Life Survey', 1998, 2001 for example), this has impacted on employees and the employment relationship. Thus, the question that initially stimulated this research was why, if organisation change is so widespread, has management not found a way to manage it effectively so that

its associated negative consequences (from both an employee and organisation perspective) can be avoided or reduced? This in turn led to more specific research aims.

Numerous management texts were found in which organisation change is analysed and described. Theoretical models have been developed and checklists for change are readily available. Furthermore, there appears to be no shortage of change management consultants to assist with the implementation process. However, managers in the pilot study investigations claimed that theoretical models were difficult to translate into practice and checklists for change did not account for contextual issues.

It appeared that one of the problems with change management was that researchers and practitioners did not fully understand what the experience was like from an employees' perspective and *why* they encountered some of the difficulties that managers described. It was suggested that if these objectives were to be achieved, a different or fresh approach was needed to the study of organisation change.

A review of the literature indicated that the concept of the psychological contract offered a means of achieving this. It also appeared that theories of organisation justice, a concept closely related to the psychological contract, might provide a means of assessing employees' attitudes towards organisation change and thus learning more about their experiences.

In this study however, the psychological contract was conceptualised in ways that differ from previous research. It moved beyond measuring its content and state and analysing the relationship between the psychological contract and employee behaviour and attitudes. Instead, it was thought of in terms of the function that it serves in providing a degree of security, 'predictability and control' and also in terms of employees' perception of the 'degree of balance' between inputs and rewards.

The empirical investigations that were conducted with different research samples focused on three broad objectives, each of which aimed to address a series of more

specific questions. First, they examined organisation change within a wider context to determine what effects the changes of recent years might have had on the psychological contract and what the longer term implications have been for both employees and organisational success. Second, they focused on participants' experience of specific change initiatives. The objectives here were to test the utility of the model and the extent to which it accurately reflected their experiences. Third, was to assess participants' attitudes towards different aspects of the change process and thus identify the most pertinent change issues.

It was anticipated that the findings would have both theoretical and practical value. First, they might provide a different means of interpreting and thus understanding organisation change. Second, they could contribute to psychological contract research, showing how theories underpinning it add value to our understanding of the concept and the role that it plays in organisation life. Finally, they could provide information that would be useful to managers responsible for implementing organisation change. The most significant findings and their theoretical, research and practical implications will be discussed throughout this chapter. It will discuss the contributions of this study in relation to the anticipated outcomes described above.

Chapter outline

The first part outlines the main findings and the conclusions that were drawn from the previous seven chapters. The remainder of the chapter discusses the conclusions from the entire study and what their implications might be. The first of these sections focuses on contributions and challenges to psychological contract and organisation change research. It discusses evidence, which shows how complex and fragile the psychological contract is, challenging the view that it can be measured or managed in any simplistic sense. It then turns to the evidence, which indicates that employability has failed to become a reality and how there is a potential for a psychological contract based on 'reciprocal brutalism' to emerge in some organisations. This section then discusses how, when conceptualised in cognitive terms, the psychological contract is worth taking seriously both

theoretically and in a practical managerial sense. The remainder of this section focuses on the challenges to existing psychological contract studies, revealing some of their limitations.

The final sections of this chapter and this thesis, turn to the practical managerial implications and how some of these might be addressed. The discussion first focuses on *why* organisation change can be associated with problems. The chapter concludes with recommendations to management to reconsider first, their change management agenda and second the relationship between themselves and their employees to enable organisations to meet the longer term challenges they face.

Review of chapters 1 - 7

Chapter one discussed the rationale underpinning this study and outlined the main issues it intended to address. Its content and the main conclusions that were drawn have already been described in the introductory section to this chapter. In summary, chapter one first discussed change in a much wider sense to illustrate why and how some of its associated problems have occurred. It then presented details of the pilot study investigations. These were carried out to identify the most pertinent change issues and thus develop an agenda and theoretical framework within which to gather and analyse data. Evidence from the pilot study and a series of change management conferences and a brief review of the literature, suggested that the psychological contract might provide that framework.

In chapter two, psychological contract literature and that which discusses theories associated with it, were reviewed. The chapter described how empirical and theoretical research has made significant contributions in defining the concept, although debates concerning its scientific credibility continue. Studies have shown a relationship between the psychological contract and employee and organisation outcome measures, such as job satisfaction, commitment and organisation citizenship behaviour. They also discuss how perceptions of violation occur and how this might affect employee's behaviour and attitudes. These types of studies have attracted the interest of practitioners who perceive managing the

psychological contract as a possible means of increasing employee satisfaction and thus changing their behaviour and level of commitment. However, researchers tend to restrict their samples to a specific group, which has implications for the findings. Furthermore, empirical evidence often lacks a theoretical explanation of the findings and conversely, theoretical models often lack empirical evidence to support them. That being said, previous research has shown the relevance of the psychological contract in studying of organisation change.

A more significant conclusion was drawn from the literature review. Whilst researchers discuss theories associated with the psychological contract in their own literature reviews (for example, schema theory, Sims and Gioia, 1986; cognitive dissonance theory, Festinger, 1957; and social exchange, Blau, 1965), empirical investigations and data analysis and interpretation tend not to focus on these issues. Thus it seemed that researchers have not yet revealed some of the complexities of the psychological contract. This study drew upon these theories to develop a model, which it was suggested might represent a different means of interpreting employees' experience of change.

The psychological contract was discussed in terms of a reciprocal agreement through which employees desire balance between inputs and rewards. This was referred to throughout this study as 'degree of balance'. It was also conceptualised as a mental model or schema, developed through experience, which people use to interpret their world and generate appropriate behaviours. This was referred to as 'predictability and control'.

'Change implementation' was the collective term used to describe the evaluation of: the consequences of organisation change; the implementation process and treatment of employees throughout that process. Psychological contract re-appraisal was the collective term employed to describe the stage in the change process whereby two factors ('predictability and control', and 'degree of balance') are reconsidered or re-appraised in light of an evaluation of 'change implementation'.

The objective of *chapter three* was to discuss and justify the chosen methods of research, to describe how the organisation survey was developed and how empirical investigations were carried out.

The philosophical underpinnings, the advantages and limitations of a positivist and constructivist approach were discussed. The underlying argument was that, researchers attached to either a positivist or constructivist paradigm should not reject methods associated with a different paradigm. The method(s) chosen should be those, which best answer the research question(s). This study employed both quantitative and qualitative methods of gathering and analysing data, which it was argued provides a better understanding of the phenomena in question.

The second part of the chapter described the rationale underpinning the organisation change survey, how it related to theories in chapter two and how it was constructed. It also described how investigations were carried out.

Chapter 4 examined how continuous organisation changes over recent years might have impacted on the psychological contract and the extent to which the concept of employability had translated into practice. Examining change in a wider context, evidence showed some significant changes in the psychological contract over recent years, a finding consistent with previous research. There was little evidence to suggest that 'employability' underpinned the 'new' psychological contract. These findings are discussed in more detail later in this chapter.

In *Chapter five* data from the three research samples were analysed statistically to determine whether the model reflected participants' experience of change. In the original model, there were 12 factors. However, seven factors were extracted from the PCA that could be interpreted according to the model. As a result, some of the factors were lost and some of the factor names were changed to reflect the findings from the PCA. Chapter five discussed some of the limitations of the survey design which were thought to contribute to the findings. The most significant being that this exploratory study attempted to address too many issues.

Multiple stepwise regressions were then performed and the findings showed some support for the relationships in the model. However, it has been continually stressed that the model was simply one way of examining employees' experience of change and that it should not be thought of in terms of as a linear process. Recommendations were made for more rigorous robust methodology and research design.

In *Chapter six*, both quantitative and qualitative data were analysed for information pertaining to participants' experience of a specific change initiative. The revised model of change was retained for analysing data and presenting the findings. The most significant findings from the *combined* research samples are shown in appendices. There are also details of the main findings for Shaw Group and Loamshire Constabulary in the appendix (8.1 and 8.2).

Briefly, survey and interview findings showed that:

- The majority accepted change as inevitable and necessary,
- If participants were involved and perceived that they were treated with fairness and respect, overall, they were satisfied with organisation change and committed to its success.
- However, this applied to only the minority and generally, the aggregate group was dissatisfied with 'change implementation', especially 'individual treatment'.
- Consequently, psychological contract re-appraisal was overall, perceived unfavourably. Participants were more concerned about lack of 'predictability and control' than lack of balance between inputs and rewards.
- Outcome measures, such as commitment, stress, relationships and job satisfaction were negatively affected by change. This was attributed to uncertainty and increased demands. Organisation citizenship behaviour (OCB) (and to some extent turnover intentions) had not been affected by change; many claimed OCB had increased.

The theoretical and practical managerial implications are discussed later in the chapter.

Chapter 7, which reviewed data from the aggregate group, Shaw Group, police officers and civilians illustrated the influence of the following factors on

participants' experience of organisation change, its impact on the psychological contract and their subsequent reactions and responses

- Personal predisposition
- Previous experience
- Age/length of service
- Type of industry or profession
- Organisation culture
- Ageism
- Alternative employment opportunities
- Personal circumstances/constraints
- Management style
- Training/preparation and Support
- Consistency of treatment during change implementation

These were classified under four headings: 'individual differences', career expectations', 'organisation influences' and 'availability of alternative options'. The model was amended to illustrate the influence of each one on employees':

- Psychological contracts;
- Reactions to organisation change
- Evaluation of 'change implementation';
- Perception of psychological contract re-appraisal;
- Behavioural and attitudinal responses to change

This evidence supported an argument that had been developing throughout this thesis; the psychological contract is an extremely complex yet fragile phenomenon.

The influence of so many different factors highlights some of the difficulties associated with change management. It illustrates how the task of producing an effective model or recipe for change that can be applied across different settings is extremely challenging. Thus providing an explanation why managers have difficulty in translating existing generic models into practice.

Chapter seven also revealed the possible longer term consequences if organisation change problems escalate and employees' dissatisfaction increases. Evidence suggested that a new psychological contract has emerged in some organisations that is based on 'reciprocal brutalism'. The following sections offer a more detailed discussion of the implications for psychological contract research and management practice.

Having discussed the conclusions that were drawn from chapters one through to eight, this chapter now turns to the theoretical, research and managerial implications from the entire study.

Theoretical contributions

This section discusses the main theoretical contributions of this study to psychological contract and organisation change research under the following headings:

- A complex, diverse and fragile phenomenon
- Redundancy of employability
- Psychological contract conceptualised cognitively
- A cognitive interpretation of organisation change
- Role of fairness re-considered
- Potential for ‘reciprocal brutality’

The challenges to existing research are addressed in the following section.

A complex, diverse and fragile phenomenon

A significant contribution to existing research has been demonstrating the complexity, diversity and fragility of the psychological. This evidence demonstrates the difficulties of measuring its content and state in any generic sense. It also illustrates why suggestions that some of the problems in the employment relationship can be overcome by managing the psychological contract (for example, Blacero 1997; and an increasing number of HR practitioners), have for the most part, failed to become a reality.

The idiosyncratic nature of the psychological contract was first acknowledged in some of the early writings and researchers (Rousseau, 1996 for example) have continued to discuss it in terms of it being a subjective phenomenon. Most authors agree that it is the employee’s perception of the mutual obligations existing with

their employer (Rousseau, 1990) and that these perceptions develop through their interactions and experiences with their current organisation. As such, each individual's psychological contract is unique and the result of their own organisational experiences. Nevertheless, many researchers continue seeking ways of measuring its content and state and some discuss the ways in which it is changing as though these changes are consistent across the workforce.

This study also examined how its content or state might be changing. Whilst it was clear that elements such as job security and promotion prospects were less likely to be perceived as part of the psychological contract, it was less clear what its elements and state currently are. It was demonstrated how a host of individual, organisational, experiential and external influences have differing effects on the ways in which:

- Employees' perceive their psychological contract;
- Organisation change is perceived to affect it
- Employees respond to psychological contract changes.

Furthermore, it was shown how perceptions could change significantly within a relatively short time. In other words, the psychological contract is a complex phenomenon and due to the changing and somewhat unstable external environment it is potentially more diverse and more fragile than ever before.

First, it was shown how different types of industries have been affected by external changes in different ways. Some organisations in the manufacturing and engineering industries, such as Shaw Group, have been affected by factors such as economic downturns, a slow down in demand for goods or services and overseas competition. Pressures to compete have frequently resulted in a reduction in the workforce, sometimes repeatedly. This has had a somewhat dramatic effect on what might be regarded as the typical 'old' psychological contract that was based on hard work and promises of long term commitment in exchange for job security. Many participants from these types of organisations found insecurity and uncertainty difficult to accept and the introduction of more organisation changes was perceived as representing a further threat.

Conversely, as a result of rapid technological advances, organisations in the IT, Dotcom and telecommunications industries, continued to grow and demand for labour was (until as recently as the middle of 2001), greater than the supply. Many participants from these organisations expected to make several career moves. They were confident about job security and their career prospects, either with their current organisation or a different one. Their psychological contracts and the ways in which they perceived organisation change was significantly different from employees in declining manufacturing and engineering organisations.

Nevertheless, organisations in industries in which there was predicted growth, may experience sudden market changes that were not anticipated. The predicted trading on the Internet did not materialise. According to media sources, developments in mobile telephone technology are not expected to continue at the same rate for the foreseeable future and travel and airline industries, already suffering due to threats of global recession, were affected overnight by the events of September 11th 2001. Thus, external pressures can affect different types of industries in different ways and within a relatively short space of time, with subsequent effects on the psychological contract.

Second, the ways in which organisations respond to external pressures inevitably impacts on the workforce and their perception of their psychological contract. For example, demands to increase flexibility have resulted in organisation changes such as outsourcing, contracting out and the introduction of annualised hours. An increasing number of employees, from the unskilled to those with specialist skills, are now employed on short term, temporary or flexible contracts. The number of part time workers has also increased significantly. It is suggested that changes in the psychological contracts of these employees might be far greater than the changes experienced by those who have retained a full time permanent contract.

Third, it was shown that the career expectations of younger employees entering the job market, and employees more used to changing jobs to further their career, differ from those that have been employed in the same position for many years. Younger employees have little or no experience of the 'old' psychological

contract. Employees that have experienced careers in a number of different organisations are more likely to perceive their psychological contracts as based on employability. Neither of these groups attached the same importance to job security as some of their colleagues with long service records in the same organisation. Therefore, there was no sense of loss in the decline of job security. Generally, organisation change, especially that which involved job losses, did not affect their psychological contracts in the same way that it affected long serving employees. The latter found changes to the psychological contract more difficult to accept, with subsequent detrimental effects on employee and organisation outcome measures.

Fourth, it was shown that organisation factors such as management style and organisation culture can influence employees' perception of their psychological contract, the ways in which change is perceived to affect it and their behavioural and attitudinal responses to such changes.

Finally, and consistent with claims made by Rousseau (1996) it was found that individual differences, such as personal predisposition and previous experience appeared to have an influence on the importance individuals attached to work, their perception of the psychological contract, how it was perceived to be affected by organisation change and their subsequent behavioural and attitudinal responses.

In summary, whilst researchers might describe the psychological contract as individualistic, subjective and constantly evolving, this study has provided empirical evidence to show *why* and *how* it can be influenced and shaped by a number of different factors. In adopting a longitudinal approach it has shown how events, such as the introduction of a change initiative can alter the psychological contract in a relatively short space in time, thus revealing its fragility.

The point is that, whilst it might have been possible to describe the psychological contract in the past, when organisations remained relatively stable and unchanged for longer periods, in today's rapidly changing environment we are no longer able to do so. It is not suggested that the workforce was ever an homogenous group, but it would seem that because of the influence of these factors, employees' career

ambitions, their expectations, needs and concerns are becoming more distinctive and more difficult to manage collectively. Psychological contracts of the 21st century are more diverse than they have ever been.

The findings from this research question whether such a complex, idiosyncratic phenomenon, in a constant state of flux, can be measured beyond the time at which data are gathered. It is suggested that when researchers make claims about its content, state or nature, they should confine their findings to their research sample (discussed in more detail below) and refrain from generalising them to the working population.

From a practical managerial perspective, these findings challenge whether the *content* of the psychological contract can be managed beyond the level of the individual employee. It is questionable whether organisations have the resources to fulfil that objective and it is suggested that organisations should reconsider any change management problems and the effects they might have on the psychological contract. This issue will be addressed later in the chapter.

Redundancy of employability

An increasing number of research publications discuss the how changes of the last decade or so have resulted in some general changes in the psychological contract (Blancero, 1997; Guest, 1996, 1997; Herriot et al, 1997; Herriot and Pemberton, 1996; Hiltrop, 1995; Sparrow 1996 and Rousseau, 1996). There is however, conflicting opinion amongst academics as to whether elements of the ‘old’ contract still exist (for example, several publications by Guest; 1996; 1997, 2000), whether it is now based on the notion of employability (Sims, 1994), which potentially, represents a way forward or whether employability has failed to translate into anything meaningful and as such it is in a state of transition (Rajan, 1999). As suggested above, this study also showed that there have been some shifts in the psychological contract, but identifying its current content or state becomes increasingly problematic. Nevertheless, findings presented throughout this thesis revealed several reasons why employability was not a key feature of the majority

of participants' psychological contracts. The summary of chapter findings discussed earlier showed that:

- Many employees remain attached to the idea of a job for life. It is difficult for them to accept that employability means increasing their employment opportunities and thus their job security with a number of organisations. Protecting their current job is the motivation to work harder.
- Individual and experiential factors (discussed above) influence the way employees perceive their work and the significance they attach to it. Not all employees have high career aspirations in the sense that employability suggests.
- Many organisations, particularly SME's and those in declining industries, do not have the resources to improve their employees' career opportunities.
- As organisations continue to outsource some of their lower grade jobs, an increasing number of employees are denied the opportunity to progress up the career ladder. Employees are often re-hired on short term contracts on less favourable terms and conditions with few opportunities for promotion.
- Some employees perceive their organisation as a resource to fund their training and development with the intention of moving on to another organisation once their training is complete.
- As a result of which, some organisations are not prepared to accept the costs of employability; if employees moved to other organisations within a certain timescale, they are charged the costs of their training and development.

From this evidence it would appear that employability opportunities are: not available to many employees; they are not welcomed; or they might be perceived as an opportunity to 'get even' with organisations.

These findings question how employability can apply to employees whose employment chances are declining not increasing. They also highlight how the gap between career opportunities for the highly educated, geographically mobile and those starting out in the lower positions is widening. It would seem that it is becoming increasingly difficult for some employees to work their way up the career ladder.

Evidence also suggests that, reward incentives developed within HRM (in terms of employee development) will have no motivational value to employees seeking

long term job security. And, the value might be only short term if the highly qualified, more ambitious employees leave the organisation before a return is seen on the investment. It is therefore argued that employability has become a reality for only the minority. In truth, it would seem that organisations are interested only in 'internal' not 'external' employability, which is consistent with claims made by Rajan (1999). When the optimists suggest that it underpins the 'new' psychological contract, they are speaking about the psychological contracts' of a more privileged, more ambitious group. As such, management and in particular HRM, is overlooking the concerns of the majority of the workforce.

From this evidence and that presented in the previous section it would seem that from a psychological contract research perspective, researchers should abandon their attempts to measure 'the' psychological contract and should instead focus more on its diversity. From a practical managerial perspective, it is also suggested that there needs to be a shift in the HRM agenda. Both of these issues are addressed later.

Psychological contract conceptualised cognitively

The discussions in this section of the chapter thus far appear to suggest that in both research and practice the psychological contract is of limited value. However, this study has also shown that it is worth taking seriously, from both a theoretical and a practical managerial perspective if it is thought of in terms of the foundations underpinning it. The psychological contract was discussed partly in terms of its purpose or cognitive function. A significant contribution to existing research is illustrating the importance of 'predictability and control' a dimension of the psychological contract, although this was demonstrated through qualitative rather than statistical evidence. This was defined as 'the extent to which the psychological contract provides a means of interpreting and predicting one's organisational world. It serves a function of reducing uncertainty and providing a greater sense of security, order, continuity and control'. Whilst 'predictability and control' might be thought of in terms of job security, lack of which, clearly caused concern for many participants, it encompasses more than that. It also relates to:

- Clarity of objectives;
- Knowing what to expect and what is expected in return;
- Understanding and having confidence in one's own position;
- Having influence and control over events that affect one's job;
- Feeling certain about the level authority;
- Being able to prevent negative things from affecting one's work.

Furthermore, it refers to the provision of 'predictability and control' both in the relation to one's current job and the future. Thus, when the psychological contract is conceptualised in this way, it becomes relevant to all employees, regardless of the job they do, and it is not necessary to specify the contract's content.

When describing the psychological contract, many researchers refer to it as a mental model, or schema. However, it is not usually considered in cognitive terms during empirical investigations. Researchers interested in the relationship between the psychological contract and behaviour and attitudes, tend to investigate the extent to which organisations fulfil their perceived obligations and how this might influence outcome measures. It has been argued in this study that, its practical value in understanding more about employee behaviour and attitudes has not, as yet, been fully recognised. That being said, subsequent to the completion of this research, a publication by Rousseau (2001), entitled 'Schema, promise and mutuality: The building blocks of the psychological contract', suggests that understanding the dynamics of the concept in employment is difficult without research into its formation. She states that 'unfortunately, far less research exists on the antecedents and formation of the psychological contract than on the consequences associated with it'. The significance of schemas underlying the psychological contract, which is central to this thesis, is one of the main issues that she addresses. The purpose of the paper is to discuss the importance of the core elements of psychological contract theory and so encourage research on how psychological contracts are formed and how and why employees' perceptions change. It is hoped that this article, together with findings from this study, will stimulate more research in this area.

Nevertheless, publications which report the findings from empirical investigations have yet to appear. In other words, although the psychological contract might be conceptualised in cognitive terms, in empirical investigations researchers tend to discuss it more in economic terms, such as whether employees received what they believed they were owed and whether there is balance between inputs and rewards. Equity and reciprocity arise frequently within psychological contract terminology.

This research has shown that balance in the exchange or the extent to which organisations fulfil their perceived obligations is less powerful in influencing employee behaviour and attitudes than 'predictability and control'. It is not suggested that 'degree of balance' in the exchange is not important. If participants perceived a lack of balance, they expressed dissatisfaction and if the opportunity was available, they tried to restore the balance. The essence of the argument is that, for many participants, 'predictability and control' was more important. Generally, those who expressed concern over the 'degree of balance' were either satisfied with or unconcerned about the level of 'predictability and control'. In this sense it is suggested that there is a type of hierarchy, which is likened to Maslow's (1954) hierarchy of needs; certain needs have to be fulfilled first before those further up the hierarchy become important. These findings suggest that an important dimension of the psychological contract has been overlooked. More will be understood about the relationship between the psychological contract and employee behaviour and attitudes if future empirical investigations consider the concept in cognitive rather than economic terms.

Drawing upon theories in cognitive and social psychology, a further theoretical contribution has been to illustrate:

- How organisation change might affect the psychological contract and why many employees remain attached to idea of 'predictability and control'
- How perceptions of perceived fair treatment help to adapt to organisation change and any changes in the psychological contract.

Participants' initial reactions to change were interpreted in the context of cognitive dissonance theory (Festinger, 1957; Lois, 1980). The theory asserts that as long as predicted outcomes occur (are consistent with schemas), employees make assumptions about their organisational world and thinking about what might happen in the work environment is not necessary. However, if predicted outcomes no longer occur, for example because of organisation changes, cognitive consistency is threatened and the organisation world becomes less certain. Interviewees' comments supported the proposal that there can be initial (cognitive) realisation that change is no longer consistent with the psychological contract, which can induce feelings (emotion or affect) of dissonance.

Interpreting the findings in this way provides a plausible explanation of why some employees perceive change as a threat, experience stress and why they perceive it as a challenge to their security and control. It provides an explanation of why employees with long service records in the same organisation *can* be more resistant to change than newcomers and younger employees. Schemas are developed through experience and they become more complex, organised and more resistant to change through repeated exposure to that experience. The longer an individual's environment has remained stable with relatively few changes, the more difficult it is to change their way of interpreting their organisation world.

It is suggested that changes in some organisations might be happening faster (which some would argue is accelerating) than our capacity or ability to accommodate them into existing schemas and thus make the necessary cognitive and psychological adjustments. In other words, whilst our organisation world might be continuously changing, it is somewhat more difficult to change our perceptions and our way of interpreting that world. As a consequence, our sense of predictability, security and control might be threatened. Because of the inconsistency between the environment and the way in which we interpret or make sense of it, we can experience the anxiety or dissonance described by Festinger.

Role of fairness re-considered

Further evidence supported the proposal that this inconsistency and subsequent dissonance can potentially trigger the cognitive evaluation process, which can bring about a re-appraisal of the psychological contract.

According to cognitive dissonance theory, if schemas fail (are inconsistent with events), individuals will be motivated to restore cognitive consistency and thus reduce the uncertainty. Rousseau (1996) claims that everyone involved is searching and sensemaking to reduce the emotional losses associated with eroded security, predictability and comprehension of events. In this study it was suggested that employees monitor for information and they begin a process of inquiry and observation, similar to that of the newcomer, to develop new schemas and thus new ways of interpreting their organisation world.

Theories of organisational justice or the role of fairness in the workplace (Bies and Moag, 1986; Greenberg, 1990b; Price and Mueller, 1986; Tyler and Bies, 1990) provided a means of investigating how participants' developed explanations for change and how the psychological contract was re-appraised. This differs from research (for example, Rousseau, 1996), which discusses how the psychological contract is transformed (see later in the chapter).

A growing body of research evidence (Brockner, 1987; Bies, 1987; and Moorman, 1991) shows the relationship between perceptions of fairness and employee and organisation outcome measures within the context of organisation change. However, the psychological contract is not usually the focus of theoretical and empirical investigations. Kickul (2001), who investigated how perceptions of justice influence the relationship between contract violation and performance and attitudes, represents an exception. She does not however, suggest how perceptions of justice might bring about changes in the psychological contract in the way that this study does. Furthermore, her findings relate to MBA students and must therefore be confined to this group.

Interview evidence showed that the more favourably participants evaluated 'change implementation', in terms of fairness, the more favourably they perceived issues associated with psychological contract re-appraisal. Perceptions of fairness were most likely to be influenced by issues associated with communication and involvement, such as:

- Receipt of perceived honest information;
- Receipt of regular information about the objectives of change and its progress
- Opportunities to express views and concerns;
- Taking employees' suggestions seriously and acting upon them;

These findings lend a different interpretation to the importance of communication and employee involvement. For over fifty years, academics and practitioners have proposed 'participative management' as a vehicle for change implementation. Researchers (Coch and French, 1948; Vroom, 1964; Kotter and Schlesinger, 1979; Nadler, 1993) claim that participation facilitates the communication of information about what the change will be and why it has come about, which tends to reduce resistance to change. Management texts argue in favour of employee inclusion in the planning and execution of organisation change. And both practitioners and academics speak about employee ownership of change as a means of increasing their motivation and commitment to make the change work. This study has demonstrated other reasons why effective communication and employee involvement are essential.

As suggested above, during complex change, an individual's need for information increases to reduce and understand the terms of the new psychological contract. Communication and involvement therefore, represent effective means of accepting and adapting to changes in the psychological contract through experience. They provide the opportunity to develop new schemas that are more consistent with the changed environment and thus a new way of interpreting and making sense of their organisation world. It removes the uncertainty and insecurity. It provides a degree of 'predictability and control' because employees know what to expect in their organisation world, even if it has changed. However, evidence showed that generally, issues of fairness are not addressed.

Potential for reciprocal brutality

This thesis examined what the accumulative effects of continuous changes might be. Evidence has shown that there is a potential for 'reciprocal brutality' to arise if organisations continually introduce changes, whose implementation procedures and consequences have a negative impact on the workforce. A psychological contract based on reciprocal brutality was defined as one in which both employees and organisations (or their agents) take measures, through whatever means, and frequently without regard for the other party, to ensure balance in the exchange and a degree of predictability and control. As suggested earlier, it refers to a process or a series of actions taken by employers and employees in response to each other's actions. From an employees' perspective, it also comprises an attitudinal dimension. Figure 8.1 illustrates this process.

Overall, the findings suggest that when organisations introduce changes, addressing employees' concerns does not appear at the top of the change agenda. In the short term, dissatisfaction with 'change implementation' can have a negative impact on 'psychological contract re-appraisal', especially 'predictability and control' and some outcome measures.

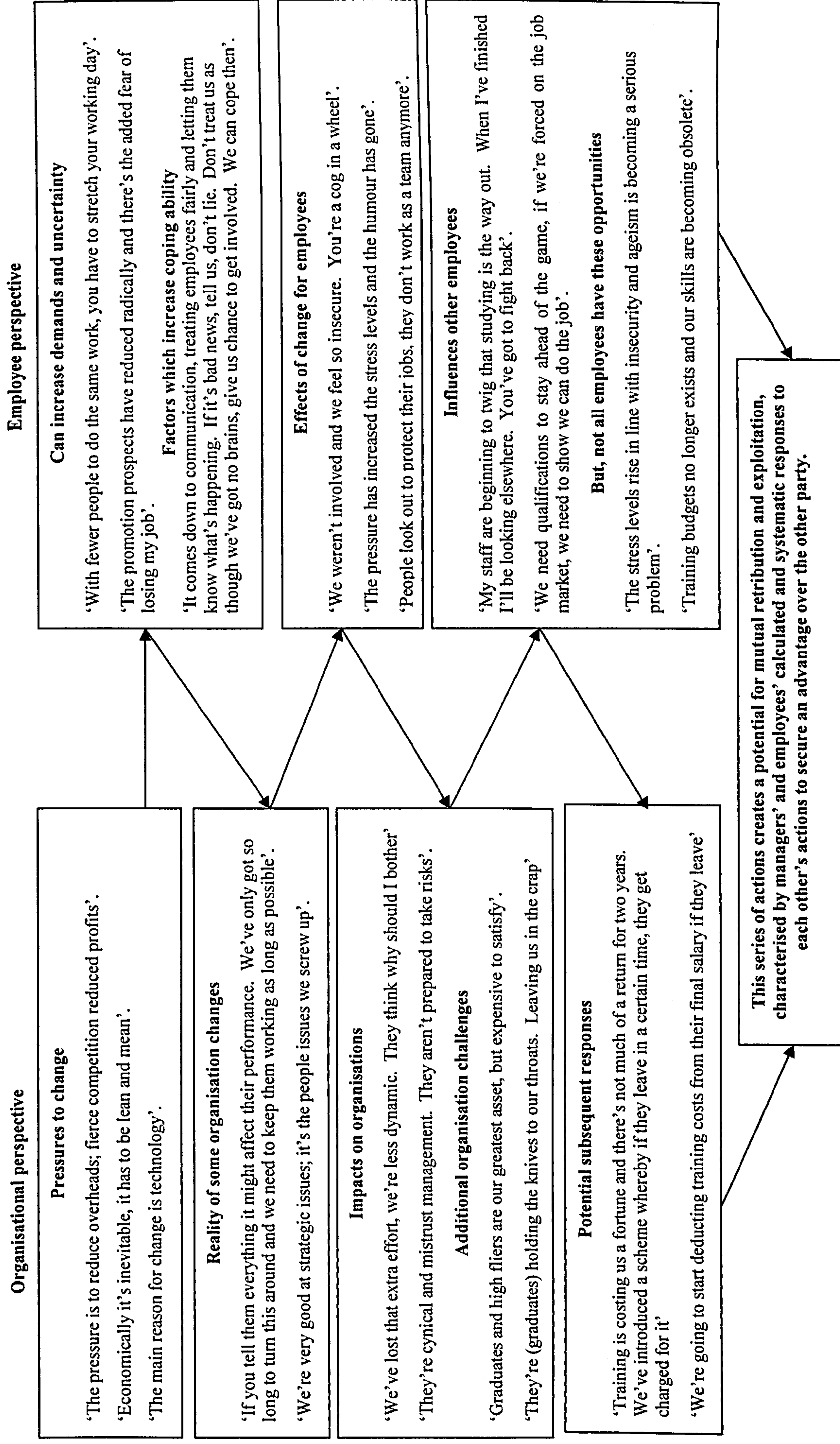
Evidence confirmed that change is rarely a one off event. Over 90% of respondents agreed that their organisation and their own jobs had changed 'a great deal' over recent years. When presented with a list of change initiatives, the majority of organisations had introduced each one. There were no indications that the next few years will be any different. Therefore, there are also longer term implications for organisations and employees if the management and consequences of change are perceived unfavourably.

Evidence presented in this study and previous research (IPD, 1999; Quality of Working Life survey, UMIST, 1998, 2000), has shown that as organisations continue to introduce changes, demands on employees to work harder, be more flexible, innovative and creative are increasing, frequently at the expense of their home and social life. But the rewards are not increasing at the same rate and some of the traditional rewards, which many employees still value, are no longer

available. This study has demonstrated several reasons why employability has failed to replace the old psychological contract and become a reality.

Many participants' concerns about future security continued to increase and some felt that they could no longer cope with the demands of work. As some struggled to sustain the momentum, the levels of stress and their dissatisfaction with the organisation increased. It was shown that where resources are available, some have taken actions to restore the balance and to increase 'predictability and control' through using their organisation to fund training and development. They described their efforts to gain more qualifications as 'getting even' and 'fighting back'. But management, realising the organisational implications, described some of their employees in terms of 'having the upper hand' and 'holding the knives to our throats'. As suggested earlier, a number of organisations are not prepared to accept this and they re-charge the costs to their employees. And so the process can continue in a downward spiral, creating an opportunity for a psychological contract based on reciprocal brutality to emerge.

Fig. 8.1 Characteristics of reciprocal brutality



It is argued that reciprocal brutalism differs from the 'new' or transactional psychological contracts that some researchers describe. It also differs from the immediate responses associated with psychological contract breach or violation. Whilst the actions of each party might be interpreted as a means of maintaining reciprocity and predictability and control, the psychological contract appears to be based on reciprocal 'mistrust' as opposed to 'trust' and there seems to be a distinct lack of commitment from either party to the other. It is the systematic and mutually exploitative actions of managers and employees and their brutal attitudes that distinguish reciprocal brutalism from other descriptions of the psychological contract and other types of reactions to perceptions of violation.

In terms of its implications, the immediate effects on organisations may not at first be apparent; the level of OCB was high and turnover intentions low. However, it is argued that organisations are unlikely to capture the commitment, innovation and creativity that will prepare them to meet the continuously changing demands of the 21st century, if, as interviewees' comments suggest, they send out conflicting messages such as:

- Profits have increased and senior executives will receive a large pay increase, but there is a need to cut the workforce to reduce costs.
- Employees are empowered to manage their own jobs and take decisions, and creativity and innovation are encouraged, but they take the blame if they get it wrong.
- Organisations that demand high levels of skills invest in training and development, but if employees leave whilst they are still useful to the organisation, they can pay back the costs.
- Employees are encouraged to work as many hours as possible and they receive high salaries for doing so, but if they become sick, there is a potential that they might be placed on the next redundancy list'.

Not surprisingly, some managers claimed that employees lacked commitment and were mistrusting of management. They described employees as cynical and defensive; participants were afraid to take risks for fear of the consequences. A number of managers were concerned that the best employees would leave to work elsewhere. As one manager commented: 'what you'll end up with is a body of

mediocrity; the best employees will have gone. Surely that's no way to take an organisation forward'.

Where has this potentially left the workforce? A psychological contract based on reciprocal brutalism might increase the level of 'predictability and control', but it is unlikely to increase job satisfaction or to change opinions of management. It is also unlikely to reduce the level of work related stress. For employees in organisation such as Shaw Group, who do not have the opportunity to increase the level of 'predictability and control' and restore the balance in the exchange, the levels of stress and dissatisfaction are likely to rise in line with increasing demands, uncertainty and insecurity. Given the evidence presented here, it raises the question of where this might be leading. The ways in which management might reverse this possible degeneration of the psychological contract are discussed later.

Challenges to existing research

The findings from this study challenge those from existing research in several ways. Some of these, such as the difficulty in measuring and managing the psychological contract, were discussed earlier in this chapter. This section discusses some of the other inconsistencies between this and previous studies.

For example, Rousseau and Parks (1993), Shore and Wayne (1993), and Shore and Barksdale (1998), suggest that 'degree of balance' influences OCB and commitment, yet in this study the relationship was non-significant.

An increasing number of studies investigate how psychological contracts change and how this might subsequently affect employee behaviour and attitudes. Rousseau (1995) proposed a model to illustrate how the psychological contract is transformed; its success being dependent on ten elements. There was no evidence from this study to suggest that this model reflects reality.

Morrison and Robinson (1997) and Parkes and Kidder (1994) have developed models to show how perceptions of psychological contract breach or violation might occur. Parkes and Kidder (1994) and Robinson and Rousseau (1994) argue that contract violation might negatively affect OCB, commitment and turnover intentions. Studies that investigate the impact of breach or violation on employee behaviour and attitudes have attracted practitioner interest. However, this study found that some participants who were dissatisfied with the psychological contract actually increased OCB and turnover intentions were relatively low.

Three criticisms are levelled at existing psychological contract research. The first, which relates to their tendency to overlook the significance of theories underpinning the concept, was discussed earlier. The second relates to a lack of empirical evidence to support theoretical models and the third to the types of research samples.

Theory reality gap

As discussed in chapter two, Rousseau's (1995) model of psychological contract transformation is based upon and supported by theories from social psychology. She explains how transformation is concerned with the development of new schemas and the ten elements within the process are clearly related to issues of fairness. But, she does not provide any empirical evidence to show that it reflects reality. This study has shown that if organisations addressed these issues, it had a positive impact on psychological contract re-appraisal. However, it was also shown that these types of organisations represented the exception not the norm and in truth, her model is idealistic, indicative of those found in textbooks, which provide checklists for change. Table 8.1 compares Rousseau's ten elements of successful transformation with participants' experience to illustrate how it rarely works in practice.

Table 8.1 Psychological contract transformation: theory versus reality	
<i>Rousseau's ten elements of successful transformation</i>	<i>Examples of participants' experience</i>
1. Well-articulated externally validated reasons for the change	Employees accepted the need for change, but were sometimes unclear about the choice of initiative and its objectives
2. Member involvement in gathering information on environmental factors contributing to the change	Lack of employee involvement in many organisations; their ideas were not usually sought
3. Acknowledgment and even celebration of the old contract	Evident only in the minority of organisations
4. Scrupulous efforts to assess and then offset the losses involved in the change	Lack of support to cope with the transition. Management frequently unaware of the implications of their actions
5. Building strong communication links up and down during transition to a new contract by using planning task forces and frequent cross-level meetings;	Meetings and team briefings frequently ceased during change implementation. Task teams employed in organisations such as Loamshire, but members of the team felt their contributions were ignored. Senior management had already made the decisions
6. Responding to the need for more information and structure during uncertain times by creating interim transition arrangements emphasizing short-term projects and activities that benefit the long-term change effort (e.g., training, task forces)	Only 20% agreed that they received useful feedback about the change and its progress. Lack of training was an issue with which participants were dissatisfied. Lack of 'predictability and control' was a key issue during implementation of change
7. Managing the meaning of change by expressing current efforts in terms of long-term objectives	Employees in some organisations, Shaw Group for example, were unclear about the organisation's long term objectives
8. Aligning the many contract makers (people and structures) by integrating the change efforts into training and human resource (HR) activities	Over half of the organisations did not have human resource departments. Managers as 'contract makers' were as affected by the change process as their employees.
9. Promoting acceptance by evoking new contract-making events such as orientations, internal recruiting, and participation in planning	No evidence in participating organisations. Employees rarely involved in planning
10. Soliciting input on how thoroughly the new contract is implemented, and taking corrective action quickly when reality tests fail	Issues associated with 'predictability and control' remained a key area of concern. No evidence to suggest any action taken to address these issues.

On reflection of the overall findings from this research, it did not appear that participating organisations considered (or were even aware of) the factors necessary to ensure successful transformation. For example, less than half had an HR department or the expertise to ensure that these tasks or elements, described by Rousseau, were carried out. Most organisations were unaware of the implications of organisation change in terms of how psychological contracts might be affected. Many organisations (Shaw Group for example) that recognised that change represented a loss of security, felt that there were more important issues to address.

Rousseau (1996) frequently refers to 'contract makers', providing examples of how managers or other organisation agents might fulfil these roles. However, she appears to describe 'contract makers' as though they are isolated from the process of transformation. As the following section shows, management is not isolated from the process of change. The sense of loss that Rousseau describes applies as equally to managers as it does to any other member of the workforce. Therefore it is unlikely that management's perception of change and their ability to manage the transformation process will be as objective and straightforward as Rousseau suggests. In other words, whilst in theory, Rousseau's recommendations for psychological contract transformation are not contested; in practice there is little evidence to suggest that they appear high on the change agenda.

Rousseau's model also assumes that transformation is a smooth linear process. In this respect it is similar to models of change, which suggest that there are distinct stages in the process. For example, almost fifty years ago Lewin (1958) suggested that change could best be understood in terms of 'unfreezing, moving and refreezing'. Similar step or stage processes of change have more recently been proposed (Burnes, 1989, 1996; Kotter, 1995 for example). Such models have been contested in the same way that Rousseau's model is contested here. As shown by this study and by other researchers (for example, Dawson, 1994; Pettigrew, 1987; Whipp et al., 1988) who provide a processual account, organisation change is not as tidy or straightforward as Rousseau and other advocates of 'step' or 'stage' models of change suggest. Even if it was, it is unlikely that these stages could be broken down into distinct actions or phases in the way Rousseau does.

Organisation life is too complex and the experience of change and its effects on the psychological contract differs significantly for different employees. During the implementation of change, it is unlikely that management would be able to identify when employees had successfully 'challenged the old contract' and when they needed to 'prepare for reframing'.

Finally, Rousseau does not provide examples to illustrate how the entire transformation process has worked. She does make references to organisations when describing *stages* of the process, but not the entire process. These examples however, include organisations such as Hewlett Packard, Xerox and IBM, which leads us to the second major criticism of psychological contract studies.

Idiosyncratic samples

In chapter two, psychological contract research was criticised for its propensity to recruit idiosyncratic samples such as MBA graduates, managers, expatriates or employees from a specific industry or sector such as IT, finance and banking. The findings from these studies are often generalised and publications might refer to 'the' psychological contract and how it has changed and how employees respond to contract violation. It is argued that these organisations and the employees taking part are unrepresentative of organisations or the workforce as a whole and that some of the evidence can mislead readers unfamiliar with psychological contract research.

Unrepresentative case studies

Researchers interested in the psychological contract (O'Reilly, 1997; Rajan, 1997; Rousseau, 1995, 1996 to name but a few) have conducted research in multinational corporations (Intel, Hewlett Packard, IBM, Apple, and Reuters) and banks (Barclays, Lloyds, Midland and National Westminster). The case studies described in change management texts also tend to relate to larger corporations. Research evidence has shown how organisations have attempted to gain employee acceptance of and commitment to change through investing in a series of

employee involvement initiatives such as team briefings, attitude surveys, and communication through newspapers and videos. The findings reveal a degree of success. However, as suggested above, the majority of organisations in this study did not have, or elected not to invest, either the financial or human resources to develop and implement such initiatives. And, some of the smaller organisations were not aware that involvement initiatives might be necessary to gain employees' acceptance and commitment. Employee involvement was often limited to a brief announcement that the organisation intended to change, with no further information until the changes actually took place. Many managers were unaware of the benefits of employee involvement and fair treatment and they did not attribute some of their change problems to the fact that these issues were overlooked. It is argued that researchers are discussing their findings within the context of the larger multi-national corporations that have the resources to manage change effectively. However, these types of organisations do not employ the majority of the workforce and change management is not approached in the way numerous publications would suggest.

Unrepresentative participants

MBA graduates, managers and expatriates are not representative of all employees. They have higher levels of skills and qualifications than many workers and organisations are keen to retain them. They are generally more ambitious and geographically mobile, accepting moves to different organisations to fulfil their career aspirations. Their commitment is often to their own their profession and/or their own careers and not to a particular organisation.

Indeed, when data from these employees were analysed separately in this study, there was strong evidence to suggest that employability was a feature of their psychological contracts. It was also shown that this group is likely to respond to psychological contract violation in ways researchers describe. Managers claimed that these types of employees are key to organisation success and they can invest heavily in their training and development. However, they can be difficult to satisfy and if their demands are not accommodated, they may be lost to another organisation. Organisations are anxious to retain their skills and management is

more likely to respond when challenged by them. If this group is dissatisfied with the outcome, they have the option to leave as they are relatively confident of finding employment elsewhere. In other words, demands for their skills and availability of alternative options places these employees in a position of strength to choose how to respond if they are dissatisfied with or they perceive that their psychological contract has been violated. Unlike some of their less skilled colleagues or employees in different types of industries, they do not have to take measures to protect their employment. This study has shown that when investigations include a more representative sample, they generate significantly different findings. Rather than challenging the organisation or withdrawing effort, many employees actually increased their efforts as a means of protecting their jobs.

The essence of the argument here is that, many employees do not enjoy the privileged position that employees in many psychological contract studies do. It has already been discussed how a host of different factors determine how employees respond to organisation change and changes in the psychological contract. Generally, empirical investigations do not account for these factors. Responses to contract violation or dissatisfaction with the psychological contract are therefore more complex than some researchers imply and their findings are confined to a particular group of employees. This might explain why the findings from previous studies differ from those presented in this thesis.

Whilst the informed reader might recognise the implications of recruiting such an idiosyncratic sample, academic research findings are frequently reported in practitioner journals and in various media sources where the distinction is not quite as clear. Policy and organisation initiatives might be influenced by these reports. However, as this study has shown, a significant percentage of participants were not motivated by new reward incentives developed within HRM to replace the more traditional rewards.

Platform for further research

From a research perspective, it would nevertheless be interesting to study the psychological contract within different industries and amongst different groups of employees and compare the findings across the samples. As this study has demonstrated the fragility of the psychological contract and how different data can be gathered within a relatively short space of time, longitudinal research would be necessary. This would provide a means of investigating the different ways in which changing external influences can affect the psychological contract and of tracking the changes in the psychological contract over time.

For example, these investigations were completed at the end of 1999 when there was huge growth in the IT and telecommunications industry. Participants were confident about their career development either with their current organisation or with several different ones. Managers had problems in recruiting and retaining permanent staff. However, during 2001 many of these types of organisations have been affected by falling demands and economic downturn. Share prices have fallen dramatically with subsequent announcements of the need to cut costs through thousands of job losses. It is suggested that if these organisations were now revisited, the organisation change survey and interviews would generate significantly different findings. The catastrophic events of September 11th 2001, have had a devastating effect on the aviation, travel, finance and insurance industries, to name but a few, and it is hypothesised that investigations in these organisations might generate findings similar to those found in the declining manufacturing and engineering sector.

Finally, from a research perspective, there is a tendency for different researchers to develop their own research tools for assessing the psychological contract and to use different methods of gathering data. Whilst they might be able to demonstrate the internal reliability of their survey scales, it is not possible to reliably compare the findings from different studies. It is suggested that researchers interested in these types of investigations, should collectively focus attention on developing a

reliable and valid measuring instrument that allows them to assess the psychological contract with consistency.

Conclusions

Before moving on to discuss the practical managerial implications, the methodological and theoretical strengths of this study are summarised as follows:

- From a methodological perspective its strength has been the inclusion of a sample beyond a particular group or sector and the depth and rigour with which quantitative and qualitative investigations were carried out over two years. This has provided more confidence in the findings, which have shown that:
- From the perspective of psychological contract research, these findings have revealed its complexity and fragility. The study has shown how in today's rapidly changing environment it becomes increasingly difficult to investigate its content or state beyond a specific point in time. It has also shown that employability is a redundant concept for all but the minority. This evidence has therefore, revealed the difficulties in measuring or managing it in any generic sense.
- Nevertheless, this study has highlighted the significance of theories underpinning the psychological contract, which previous empirical investigations have tended to ignore. When considered in this way, the concept is useful as an analytical tool for developing a better understanding of the complexities and potential problems in the employment relationship and of investigation employees' experience of change. Two issues were identified that appeared to be of particular importance despite the effects of individual, organisational, experiential and external factors. First, the notion of 'predictability and control' was important to the majority of participants. Second, the role of fairness, through informing and involving employees, was key to gaining their acceptance of any changes in the psychological contract and their commitment to organisation success.

Implications for management practice

It is clear that the findings presented throughout this thesis have implications for management practice. Some of the problems with managing change have been discussed as this chapter has unfolded; it is difficult to isolate theory. For example, the ways in which external environmental factors affect different types of industries shows how managers face different sets of change management problems. Individual and group differences also illustrate the diversity of the workforce within a particular organisation, thus demonstrating the difficulties in developing generic change implementation strategies.

This final part of the thesis discusses what were perceived to be the major factors influencing change management; it then suggests ways in which organisation might address some of the problems that have been uncovered.

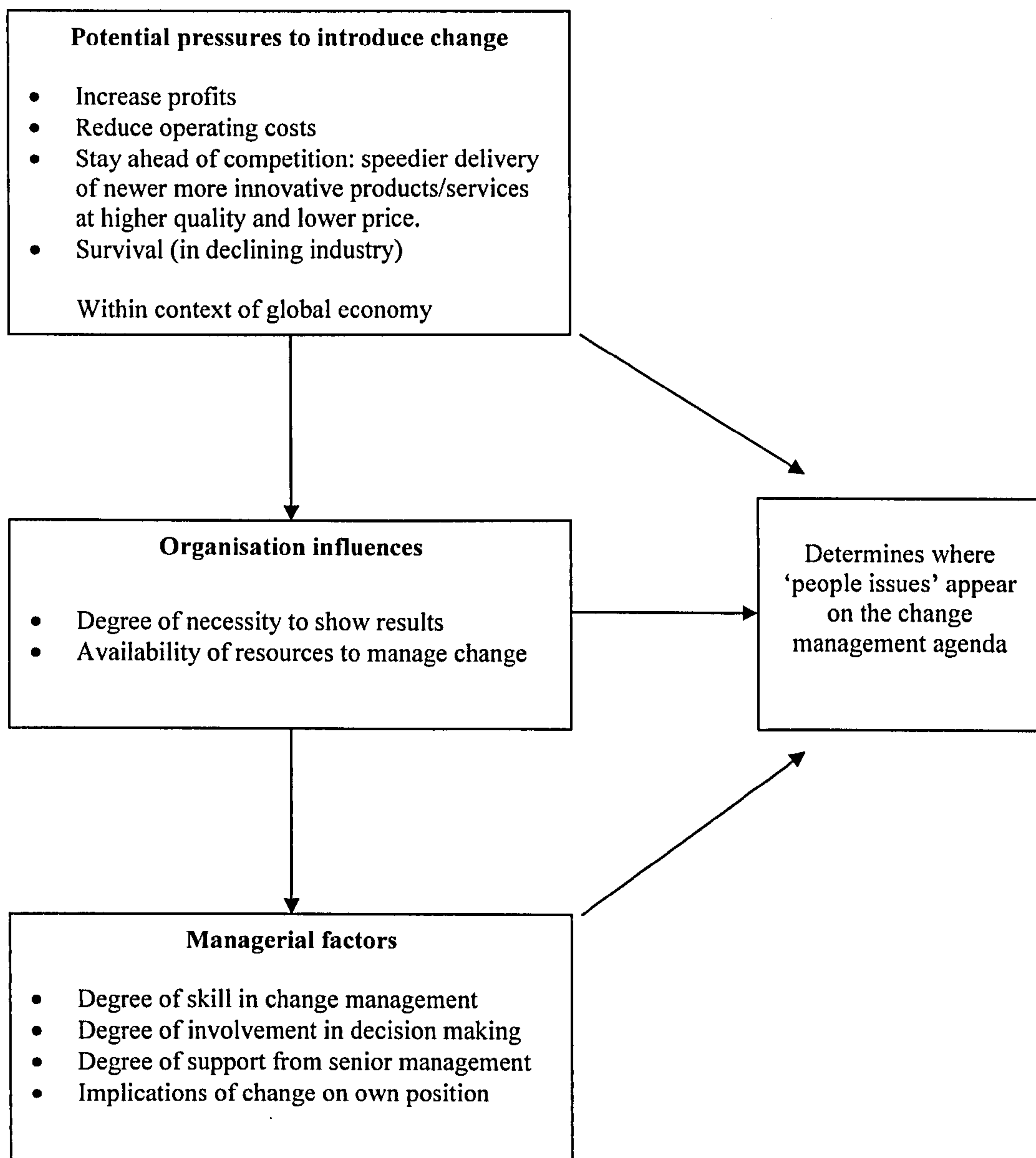
Whilst the theoretical interpretation of the role of fairness, communication and involvement moves beyond other studies, from a managerial perspective, the findings, which illustrate their significance, are consistent with the advice offered in management texts for over fifty years. Nevertheless, the contribution of this study is in uncovering some of the factors that influence *how* organisations manage change and *why*, what might be termed the ‘people issues’ are frequently overlooked. It has provided some answers to the question that stimulated this research: ‘Why, if change is so widespread, has management not found a way to manage it effectively so that its associated negative consequences (from both an employee and organisation perspective) can be avoided or reduced? .

Factors influencing change management

A review of the findings suggests that there are three main sets of influences that determine how organisations change and where on the change agenda the ‘people issues’ are placed. These are illustrated in figure 9.2. First, it seems that organisation change is frequently driven by external pressures, beyond the control of those responsible for implementing them. In addition, the real drivers, the

beneficiaries of change might be unaware of the implications of their decision and actions (or omissions) on employees. Second, and in response to these pressures, management might seek quick solutions. This determines where on the change agenda employees are placed. Third, managers who are sometimes accused of overlooking employees' concerns might be merely responding to the pressures they face.

Figure 8.2: Factors influencing management of change



Potential pressures to introduce change

Participants agreed that changes are necessary to remain up to date with technological advances, stay ahead of the competition and satisfy customer demands. Change was accepted as an inevitable feature of organisation life. This contradicts claims made by managers in the pilot study, (and a popular view espoused in management texts) that employee resistance to change represents a significant barrier to its success.

However, many participants, including managers, did not always understand why particular change initiatives are chosen. They were often perceived as 'cost cutting exercises', which some employees found difficult to accept as necessary when increased profits are announced and senior executives earn record salaries. Whilst cost reduction is a key objective of organisation change, participants claimed that sometimes organisations took extreme measures, with negative rather than positive implications for organisation effectiveness. Some suggested that management is too eager to accept 'fashionable' models of change advocated by consultants without considering alternative options for improving organisation effectiveness. They also claimed that there are too many changes and new initiatives are introduced before the benefits of the previous one are realised.

Given the degree of dissatisfaction with the outcome, it raises the question of whether organisation change is always necessary or inevitable and who the real beneficiaries are.

Whilst technological advances and economic downturn might drive change, in the private sector it is often driven by demands for greater profits, especially amongst the larger PLCs. Some organisations appear to react too quickly to changes in the external environment to ensure that profits are not affected. For example, a fall in share value is often closely followed by the announcement of job losses to reduce costs. This impacts on smaller organisations that supply goods or services to the larger corporations and the same patterns emerge throughout the supply chain.

Organisations in the public sector are under pressure to curb public spending. Reducing the workforce or increasing employee flexibility through the introduction of annualised hour or outsourcing some of the more peripheral functions represents a means of achieving these objectives. Finally, senior managers in declining industries, such as Shaw Group, are under pressure either from shareholders or owners to show immediate results. The longer term objectives have to be abandoned as they fight for survival to avoid threats of closure. Cost reduction through downsizing and restructuring represents a means of achieving their priority objective.

This study, together with numerous ones before it have shown that downsizing programmes can be costly to implement, with detrimental effects on the remaining workforce. However, the costs can, in the short term, be disguised as 'incidental costs'. Furthermore, the costs of stress, lack of commitment and motivation are difficult to quantify in monetary terms. Therefore, they do not immediately affect the gross profit or the share value and the subsequent return to shareholders. Furthermore, overhead costs appear to be lower, which satisfies an objective of many public and private sector organisations. Thus, it appears that the objectives of change have been achieved. However, it is suggested that in these instances, the real beneficiaries of change are potentially unaware of the implications of their decisions. Increased profit and reduced costs are the driving forces and decisions to change can be taken by people who are distanced from the everyday running of the business.

There are also additional environmental forces beyond organisations' control that can put pressure on them to implement short term, cost reducing initiatives. Advertising is a powerful vehicle, which encourages consumers to buy more and replace more often. Products are no longer designed or intended to last. Consequently, customer demands for the latest innovative products and services at low costs, are growing. There is also increasing competition from overseas and cheaper labour from some developing countries. Therefore, to stay ahead of the competition, organisations must invest in the continuous development of new products or services to be delivered as quickly and as cost effectively as possible. They also need to invest in the latest technology within their own organisation.

Inevitably, these factors places pressure on them to control operating costs. Senior managers who take decisions at an organisation level, who oversee the implementation process, might be merely responding to these external pressures.

Organisation influences

Whilst the influence of external pressures illustrate how organisations reach decisions to implement certain change initiatives and reasons why the *consequences* of change for employees might not be considered, this study has also uncovered organisational constraints that can determine how change initiatives are managed. Regardless of sector or size of the organization, participants were generally dissatisfied with the 'processes and procedures' for implementing change, especially the way in which individuals were treated.

- *Lack of resources or ineffective use?*

When questioned about the management of change, managers frequently commented that, ideally they would like to address the 'people issues', but they did not have the financial resources, the skills or the time. Shaw Group for example, no longer held regular briefing groups and only senior management met to discuss organisational objectives. The managing director claimed that with a significant reduction in the workforce, the company could not afford the costs incurred through employees taking time out to attend meetings. They communicated any relevant information, even the redundancy announcements, through staff notices boards. Other organisations also commented that they did not have the resources for someone to specifically oversee the implementation of change. It was the responsibility of line managers and supervisors and with the additional pressures they faced, organisations recognised that communication was not as effective as is ought to be. Employees' worries and concerns were consequently overlooked. It is suggested that if cost reductions are high on the agenda, it is unlikely that organisations will invest in developing effective implementation processes and procedures.

However, evidence has also shown that whilst resources might represent an inhibitory factor, when they are available, they are not always used effectively or objectively. For example, Loamshire Constabulary employed a full time review committee to develop a model of change and a plan for its implementation. Lack of resources was not an issue. Some of the larger organisations also established working groups dedicated to organization change. However, participants from these organisations were as dissatisfied with 'change implementation' as those from organisations where management failed to develop the most basic strategic plan. Participants from Loamshire claimed that employees' suggestions were accepted only if they were consistent with decisions already taken by senior management. In other words, as a paper exercise, it was a success; it created the illusion of employee involvement. But in practice, senior management had their own agendas and they did not address some of the most fundamental issues to make it a success from an employee's perspective.

- *Pressures to show immediate results*

Time constraints in some organisations put managers under pressure to show some immediate results from change initiatives. At Shaw Group for example, senior management was given an ultimatum. They had six months to 'make the changes work' otherwise the factory would be closed down. Some of the manufacturing and engineering organisations faced similar pressures. It is suggested that in these instances, organisation objectives are the only priority and addressing employees' concerns appears close to or at the bottom of the change agenda. Some managers claimed that there were more important issues to address than talking with employees and examining their attitudes towards the changes. Especially in the downsizing organisations, they suggested that employees would be grateful they had retained a job. They would communicate with the workforce 'when things improved and they had achieved some results'.

A minority of managers claimed that they deliberately withheld information because it de-motivated not only those who were directly involved, but the entire workforce. They suggested that it would cause disruption, which would inhibit the implementation of the change. As one manager commented, 'we need to keep

them working as long as we can and try to maintain business as usual'. The media has reported such incidents when large organisations announce job losses despite having made reassurances to the contrary. It is suggested that it is beneficial to organisations to remain silent because of the consequences once information becomes public.

In summary, availability of resources can determine where 'people issues' appear on the change agenda. However, when they are available, senior management can still be reluctant to address employees' concerns. Time constraints also represent an additional pressure and managers can adopt a short term approach to managing change, with the mistaken belief that they can address employees' concerns once they have achieved their organisational objectives.

Managerial factors

Evidence presented here has also demonstrated that managerial factors can determine the extent to which employees are considered during the implementation of change. Consistent with the findings from numerous studies (Burnes, 1996; Carnall, 1999; Hutton, 1994; Kanter, 1989 for example), it was shown that change management requires particular skills, which can contribute significantly to its success. Middle and junior management also need the support from senior management. A clear relationship was demonstrated between management style and participants' behavioural and attitudinal responses to change. Several participants attributed the success of organisation change to their immediate boss. However, many were critical of the ways in which managers implemented changes. As discussed above, some managers used threats to job security as a means of controlling employees' performance. A minority believed there were advantages in withholding information. Such approaches to change management might initially appear inexcusable and it is not doubted that some change problems can be attributed to poor management skills. However, a closer investigation suggests two reasons why some managers take certain actions.

First, many managers have little or no influence over the implementation of change. For example, senior and middle managers from a number of organisations

claimed that: 'It's out of our hands, we are powerless to do anything about it'. The previous section revealed that frequently they were not involved in the decision making processes and they had limited resources and support in terms of how they implemented change. It is suggested that if managers are under such pressures and organisations fail to invest in developing their skills, and they do not have the support of their superiors, they will manage change to the best of their ability. Consequently, they might adopt whatever strategies are available to show immediate results.

Second, managers often face the same concerns as their employees. Change management texts provide advice on how to deal with the 'people issues' or the 'softer' side of change. But, it is argued that managers are just as much a part of the 'people issues' as employees on the factory floor. Research does not discuss the ways in which manager's psychological contracts are affected by change. Management is usually discussed in terms of being the organisation's agents and they are challenged with the responsibility of managing employees' psychological contracts. This study has shown that issues associated with 'predictability and control' are of concern to all employees, regardless of their organisation position. For example, senior managers at Shaw Group knew from their colleagues' experience that if they did not attain their objectives, they would soon be replaced. Several senior and middle managers were released because senior executives lacked confidence in their ability to 'turn the company around' within a set timescale. Change can therefore, represent the same implications and threats to managers as it does to the remainder of the workforce. They are not detached from the process. It is suggested that managers in a vulnerable position might take certain courses of action, which are sometimes questionable, as a means of protecting their own positions. Thus, addressing employees' concerns during the implementation of change is forced further down the change management agenda. However, their actions can have a negative effect on the employees who report to them. It is suggested that more research is needed to investigate management's role in change implementation and its impact on their psychological contract.

On reflection of these findings, it appears that several issues determine which change initiatives are chosen, how they are managed and the extent to which the

‘people issues’ become an intrinsic part of the change management agenda. Organisations face pressures from shareholders to generate more profits and external pressures to compete by producing innovative, low cost goods and services that can be supplied faster than the competition. Furthermore, the decision makers are sometimes distanced from events taking place in organisations and consequently they may remain unaware of the implications of their actions on those caught up in the process. Managers responsible for implementing change often have no influence over strategic decisions. They often have inadequate skills, resources, time or support to enable them to address some of the most fundamental issues that contribute to success. Faced with these pressures, they may take actions that initially seem questionable.

In other words, the pressures from the external environment place successive pressures on everyone involved, from senior executives down to employees on the factory floor. Evidence seemed to suggest that organisation change is generally a poorly managed process with potential negative implications for employees and organisations. As the opening quote to this chapter suggests, ‘we claim that we don’t have time to consider people or to manage change effectively, but then we have to find twice as much time to put things right’. In the longer term, if change management problems are not addressed there might be implications for future changes and the relationship between managers and employees. The emergence of ‘reciprocal brutalism’ and other problems in the employment relationship are a consequence of the accumulative effects of continuous changes managed ineffectively. If there are no opportunities for employees to increase the level of ‘predictability and control’ and restore the balance in the exchange, the levels of stress and dissatisfaction might continue to rise in line with increasing demands, uncertainty and insecurity. As the consequences become more apparent, one has to question how long employees, from the CEO of a multinational corporation to the unskilled worker on the factory floor of a small organisation, can sustain the pressures.

The way forward

Attention is now turned to the observations and lessons that have been learned throughout this study. The final section of this thesis discusses the ways in which managers might address some of their change problems and thus ensure that it is managed more effectively. It argues for a more analytical approach to change management through educating managers on the role of the psychological contract and fairness principles. The chapter concludes with a recommendation that in the longer term, the way forward is in developing a stronger, more sustainable relationship between management and employees.

Management of a specific change initiative

Factors highlighted in this study that are most likely to enhance employees' perception of organisation change are consistent with 'conventional wisdom' in relation to participative change management, first publicized in the work of Coch and French (1946). Practitioners and academics have since espoused the importance of communication and involvement. However, as this and countless other studies have shown, there appears to be a low correlation between knowledge (of how it should be done) and managerial actions. This study has however, revealed factors that might determine the change agenda and why these issues might be ignored. The following section will argue that, if organisations are serious about addressing their change management problems, as well as some of those identified in the employment relationship, HRM might have to reconsider some of its current strategies. In the meantime, several issues have been uncovered here that might be useful for managers to consider in relation to managing specific change initiatives.

One of the underlying messages from practitioners and academics is (and always has been) consistently clear; there are no short term solutions to managing change and 'people issues' are paramount to its success. This study does not profess to have any new solutions or prescriptions for change. However, its contribution to

management practice is in suggesting ways of reflecting upon and analysing organisation change from employees' as well as from an organisational perspective. The ability to do so might encourage management to give employees' concerns a higher priority on the change agenda.

Evidence seemed to suggest that one of the problems with organisation change is that everyone involved, tends to view it only in terms of its implications on their own position. Everyone from senior management level to employees on the factory floor may not have the detailed awareness of the issues and concerns facing other organisation members. Thus, it would seem that management decisions and actions can be taken without consideration of their implications for employees. And employees may respond to change in ways that inhibit organisation success with further negative consequences for themselves.

It is suggested that management should adopt the same approach to analysing what they term the 'people issues' as they do to analysing their business. In this sense, the change agent or manager rejects the idea of a recipe for change. They adopt a role similar to that of an academic researcher, constantly analysing their actions (or omissions) and the implications of such actions, and adapting their change management strategy accordingly. However, two barriers were identified, which currently prevent managers from adopting this type of approach to change management. First, due to the pressures they face, they appear to consider that time and resources are more urgently needed elsewhere. The advice to management is that, they might reflect on previous change initiatives and consider the costs of the consequences for their employees and organisation success. But, this leads us to the second issue; evidence has shown that many managers lack the types of skills that would be necessary to carry out these analytical exercises. It is suggested that this is where the focus of training for *all* managers (including the most senior) or change agents should be directed.

Whilst it has been argued that the psychological contract cannot easily be managed, it is also argued that it is an important factor in change management. Managers do not generally consider the effects of change in terms of loss of security and control or changes in the 'degree of balance' between inputs and

rewards. It is recommended that managers should be educated about the role of the psychological contract in relation to organisation change, especially its effects on 'predictability and control'. In addition, research (Kilbourne et al 1997; Skarlicki and Latham, 1996) has shown that training management in fairness principles enables them to recognise the value of employee involvement and communication. It can significantly increase employees' satisfaction with change with subsequent positive effects on their performance and commitment. It is suggested that change management texts and management training courses should begin to discuss issues associated with fairness principles and the psychological contract.

If an analytical approach to change became part of the organisation's culture, there would be benefits on a number of different levels. If management at all levels understood more about the potential effects of organisation change in psychological contract terms, it might provide them with an insight into why some employees feel threatened by change and why they try to resist it and why they behave in certain ways. It might help recognise that an individual's means of understanding and interpreting their organisation world does not change simply because they are told that their work environment is going to change. To do so is like physically transporting someone from one location to another without allowing them to experience the journey.

If senior managers can understand organisation change from this perspective, they might be more supportive of their management team. Demands on middle and junior managers during change implementation are high. They are expected to manage change and provide support for employees when they are equally concerned about its effects on their own positions. They often receive little or no support during the process. A manager who has the support of his superiors will exhibit more confidence in the tasks he performs and this might subsequently impact positively on employees' attitudes and behaviour.

Gaining an insight into why some individuals take a certain course of action, places people in a better position to show empathy and listen to their concerns. Furthermore, in understanding the reactions of others, we often learn something

about ourselves. Therefore, given these analytical skills managers might also understand their own reactions to change and why they behave in certain ways. As illustrated throughout this research, managers are also in a vulnerable position.

In summary, an understanding of the role of the psychological contract and the significance of fairness principles, provides the opportunity for organisations to develop a reflective, analytical tool for evaluating the most appropriate options for managing organisation change.

A shift in the HRM agenda?

In addition to developing more effective ways of managing specific change initiatives, evidence from this study suggests that management needs to focus on the future and address some of the problems that currently exist in the psychological contracts between many employees and their organisations.

The intention is not to represent the psychological contract of ten to fifteen years ago as either ideal or typical. Some would argue, justifiably, that there has always been tension between management and employees and that the workforce and their psychological contracts have always been diverse. However, it is suggested that in the past, when organisations remained relatively stable for longer periods, the level of 'predictability and control' was higher and employees were more certain about what they could expect to receive and what they were expected to contribute. Now there is less certainty and psychological contracts are not only changing, they are becoming more diverse. Some employees appear to accept these changes more readily than others. As illustrated below, managers are beginning to recognise some of the challenges they face and they are anxious to find ways to address them.

Anecdotal evidence from a new series of change management conferences (February 2002) hosted by the UK Work Organisation Network (a consortium of universities, institutions and Government agencies such as the DTI, Involvement and Participation Association (IPA), Industrial Society, CBI, ACAS and CIPD)

suggests that, in the relatively short time since data from this study were collected, the dialogue between managers is beginning to change. HR managers attending these conferences expressed their concern about employee dissatisfaction and lack of commitment far more frequently. They recognise the diversity of their workforce and that different strategies are needed to address different sets of problems. On the one hand, they were concerned about lack of job satisfaction for employees in routine and repetitive jobs, some of which have been brought about through new technology. They claimed that many employees worked in isolation and were unaware of their contribution to the complete work processes. As most of these organisations had downsized over recent years, they were aware that employees in these low skilled positions worried about job security. Managers suggested that these factors had increased absenteeism and affected the quality of work. On the other hand, HR managers were equally concerned about problems of satisfying the career needs of what they termed the 'high fliers'. They confirmed the problems identified in this study of training and developing them and then losing them to the competition.

An additional problem was also identified. Whilst job losses are still currently announced on a large scale, managers believed that this trend is predicted to change. They claimed that by 2006 there would be more employees leaving the job market than entering it. Furthermore they believed that the number of graduates, the predicted high achievers and critical to success in terms of creativity and innovation, will fall. As such, they anticipate problems not only in retaining, but also in staying ahead of the competition in recruiting the necessary skills and competences.

Thus, it would seem that if employees' full potential is to be harnessed and organisations are to recruit and retain the necessary skills, management and in particular HRM has to develop different strategies for different groups of employees to.

At each of these conferences, quality of working life issues dominated the agendas. Managers spoke about the need to increase job satisfaction and commitment through creating a more flexible work environment. They discussed

the benefits of involvement, effective communication and educating employees about the business and its objectives. In other words, some of the issues that this and other studies have identified as key to success.

The essence of the argument is that, managers are discussing how the HRM agenda needs to switch its emphasis from creating employee flexibility to creating organisation flexibility to accommodate *all* employees' needs. The difficulty is in achieving this when experience shows that these issues are continuously overlooked and organisations have demonstrated only limited success.

It has been argued that the psychological contract should not be thought of as part of the HRM toolkit to increase performance and commitment, which is a concern amongst some academics. That being said, there are measures that can be taken to improve and maintain the psychological contract in a qualitative sense. It should be thought of in terms of managing the foundations upon which it is based. Here, the psychological contract is likened to a personal relationship in that the more each party contributes to the relationship, the stronger the relationship becomes, and the more able it is survive during and after a crisis. The stronger the foundations underpinning it, the more balanced the exchange and the higher the level of 'predictability and control'. Thus, increasing the likelihood that employees will be committed to organisation success. Furthermore, some of the problems associated with change might be avoided.

When discussing changing working patterns in chapter one, a reference was made to partnership. On reflection of these findings and the challenges facing organisations, it is suggested that one approach to strengthening the psychological contract could be through partnership.

In its traditional sense, partnership refers to an elected group of trade union and management representatives. Its purpose is to forge collaborative working relationship between these two groups and avoid some of the conflicts that have characterised employee relations in the past. It is proposed that the decline of trade unions might be a contributory factor to some of the difficulties within the employment relationship and the dissatisfaction with the psychological contract.

Whilst there is a history of adversarial and antagonistic relationships between management and trade unions, the latter played a vital role in representing employees' needs. Employees in non-union organisations no longer have the voice and representation they once had and in many unionised organisations, trade unions are not as strong as they once were. Without this representation, it is argued that organisations are able to introduce changes to working practices without any formal resistance from the workforce. However, as this study has shown, this does not gain their support and commitment.

Partnership in the context proposed here, relates to a group of elected representatives from *all* levels of the organisation. Over recent years (and especially since the late 1990s) an increasing number of organisations have shown interest in partnership. Its meaning and objectives differ from organisation to organisation. However, it is not generally thought of as a specific initiative (such as TQM, business process reengineering or JIT). Rather, it is considered as an ongoing process for improving relations between the different stakeholder groups and as a vehicle through which to introduce organisation change. Research by Totterdill and Sharpe (Irish Productivity Centre publication, (IPC) 2000) and the IPA (since the late 1990s) shows that relationships between management and employees improved significantly. Some organisations found that change initiatives have been implemented more successfully than they were prior to partnership. Recent publications (Guest and Pecci, 2001) and reports from the Industrial Society, DTI and ACAS also suggest that this approach to managing the employment relationship and organisation change achieved a degree of success.

Frequently cited reasons for entering partnership include:

- Increased employee involvement and participation;
- Involvement of different stakeholder groups in decision making;
- More effective communication;
- Employee education on business issues;
- Improved job satisfaction
- Increased commitment
- More training and development opportunities
- Employment security

It could be argued that these objectives are no different to some of the current HRM objectives. Is it therefore, merely a repackaging of issues on the current HRM agenda? And, will it turn out to be empty rhetoric in much the same way as the psychological contract did for those who believed they could manage its content? The answer to the latter question is, potentially yes, it could if organisations are not seriously committed to its success. As the following discussion illustrates, it takes a degree of effort from all organisation members. As regards its objectives, it is argued that there is a distinct difference between a partnership approach and existing HR strategies. Generally, at present, employees have very little influence over organisation change. They are usually unaware of changes to working practices until management has made the decisions. They are then informed with differing degree of success. With a partnership approach, the different stakeholder groups are represented and change initiatives and methods of implementation are put on the agenda, discussed and decided by members of the partnership group. This allows for the diversity of employees' needs to be considered. Furthermore, if partnership is successful, it encompasses much more than a way of managing change; it becomes engrained in the organisation's culture and as such an effective means of communicating everyday issues. As one manager commented 'its taken us a long time, but its now become our way of doing business'.

For example, the twelve organisations in the IPC project each established their own *modus operandi*. They met on a regular basis and the entire workforce influenced specific objectives. Employees were encouraged to make suggestions and express their concerns to representatives of the group, who in turn were expected to provide regular feedback. When specific changes were introduced, additional working groups were established to gather information to decide the best approach. These organisations started to conduct their own research in much the same way as an academic researcher. It marks a move towards a more diagnostic or analytical approach to change, as recommended in the previous section of this chapter. The role of the HR manager is to act as facilitator to the group, which represents a further switch in the HR function. This is also the expected role of external consultants brought in to deal with specific issues with which organisations do not have the necessary expertise.

In this sense, partnership does not have to be confined to the larger corporations with resources to develop sophisticated processes and procedures for change management. Furthermore, with encouragement and training for employees unaccustomed to direct discussions with management, it provides the opportunity for representation from all employee groups.

The research findings revealed that the key success factors are consistent with recommendations from this study. Partnership provided a means of facilitating employee involvement. They were able to express their views and to receive regular feedback about the organisation's performance, its intentions and how any change initiatives were developing. Employees claimed to have learned more about the business and they were more aware of problems facing the organisation. In this sense, they could appreciate why certain decisions were taken. In other words, it provided the opportunity to develop new ways of interpreting their organisation world and thus reducing some of the uncertainty; an issue that dominated this study. It provided a means of increasing the level of 'predictability and control' and thus improving the psychological contract, which it is argued, is one of the key challenges facing management. There were also indications that it improved employees' perceptions of fairness; they claimed that their concerns were taken into consideration. From a managerial perspective, managers understood more about the implications of their actions and they acknowledged the need for and the benefits of employee involvement.

It is not the intention here to portray partnership as a panacea to resolving all organisational problems. Organisations have not found it an easy process to engage in. Both management and employees have to adopt different roles and develop a different type of relationship with each other. It represents an entirely different means of communicating and everyone in the organisation has to be committed to its success for it to achieve its objectives. Critical to the success of this type of Partnership is senior management's commitment. They must accept that each member of the group is of equal status and that everyone has input. Some managers found it difficult to accept that in this role, they were not the 'boss'. From the employees' perspective, there were initial problems of

communicating with management and accepting that partnership is not a vehicle for discussing pay issues and airing personal grievances. Its main objective is to develop and sustain a better relationship between themselves and management. It is a means of improving both organisation success and employee satisfaction.

Despite its problems, it is argued that partnership potentially represents a way forward for establishing a better relationship and for restoring the psychological contract to one that is based on mutual trust, commitment and reciprocity. As the findings from this and previous research have shown, this type of psychological contract is beneficial to both organisations and employees. Furthermore, if the foundations underpinning the psychological contract are robust, it represents a means of overcoming some of the difficulties associated with organisation change.

As a final word, it is suggested that the current relationship between organisations and employees will have a significant future influence on whether organisations retain their best employees or lose them to the competition and whether reciprocal brutalism becomes the norm.

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